

Financial Highlights

Brief Report for 1st Quarter FY2014

31 July 2014

Kawasaki Kisen Kaisha, Ltd.

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A. Financial Highlights for 1st Quarter FY2014

A-1. Financial Results for 1st Quarter FY2014

(Unit:billion yen)

	FY2014 1Q	FY2013 1Q	Comparison with FY2013
Operating Revenues	319.8	295.7	24.1
Operating Income	9.7	7.3	2.4
Ordinary Income	6.5	10.9	▲ 4.5
Net Income	4.3	7.0	▲ 2.7
Exchange Rate	¥102.40	¥97.72	¥4.68
Bunker Price	\$615	\$638	▲ \$22

(Unit:billion yen)

		FY2014 1Q	FY2013 1Q	Comparison with FY2013
Containership Business	Operating Revenues	158.4	141.9	16.6
	Ordinary Income	2.2	0.0	2.3
Bulk Shipping Business	Operating Revenues	143.7	136.1	7.6
	Ordinary Income	6.4	12.2	▲ 5.8
Offshore Energy E&P Support & Heavy Lifter	Operating Revenues	8.4	8.5	▲ 0.1
	Ordinary Income	▲ 1.9	▲ 1.2	▲ 0.7
Other	Operating Revenues	9.3	9.3	0.0
	Ordinary Income	0.4	1.5	▲ 1.0
Adjustment	Operating Revenues	-	-	-
	Ordinary Income	▲ 0.7	▲ 1.5	0.8
Total	Operating Revenues	319.8	295.7	24.1
	Ordinary Income	6.5	10.9	▲ 4.5

Decrease by 4.68 yen / US\$ in exchange rate resulted in approx. plus 1.4 billion yen (YoY)

Fuel oil price down by US\$22 per met.ton resulted in approx. plus 0.6 billion yen (YoY)

【Dividend Payout】 Dividend ¥2.5 per share is planned as interim dividend

Major Financial Indices

Unit:Billion yen/%

	2014 1Q As of end-June 2014	2013 FY As of end-April 2014	Comparison
Shareholder's Equity	385.3	388.8	▲ 3.5
Cash and Deposits	196.5	236.4	▲ 39.9
Interest-bearing Debt	594.7	643.8	▲ 49.1
DER	154%	166%	▲ 11%
NET DER	103%	105%	▲ 1%
Equity Ratio	32.2%	31.0%	1.2%

A-2. Estimate for 1st Half FY2014

(Unit: billion yen)

	FY2014			FY2013	Comparison with FY2013	Previous Estimate*	Comparison with Previous Estimate
	1Q	2Q	1H	1H		1H	
Operating Revenues	319.8	330.2	650.0	606.6	43.4	630.0	20.0
Operating Income	9.7	8.3	18.0	19.8	▲ 1.8	18.0	0.0
Ordinary Income	6.5	8.5	15.0	20.0	▲ 5.0	17.0	▲ 2.0
Net Income	4.3	6.7	11.0	14.7	▲ 3.7	11.0	0.0
Exchange Rate	¥102.40	¥100.45	¥101.43	¥98.03	¥3.40	¥100.00	¥1.43
Bunker Price	\$615	\$615	\$615	\$628	▲ \$13	\$621	▲ \$6

(Unit: billion yen)

*Previous Estimate as of Apr 2014

		FY2014		
		1Q	2Q	1H
Containership Business	Operating Revenues	158.4	161.6	320.0
	Ordinary Income	2.2	3.8	6.0
Bulk Shipping Business	Operating Revenues	143.7	151.3	295.0
	Ordinary Income	6.4	5.6	12.0
Offshore Energy E&P Support & Heavy Lifter	Operating Revenues	8.4	6.6	15.0
	Ordinary Income	▲ 1.9	0.9	▲ 1.0
Other	Operating Revenues	9.3	10.7	20.0
	Ordinary Income	0.4	0.6	1.0
Adjustment	Operating Revenues	-	-	-
	Ordinary Income	▲ 0.7	▲ 2.3	▲ 3.0
Total	Operating Revenues	319.8	330.2	650.0
	Ordinary Income	6.5	8.5	15.0

【Premises】

Exchange Rate 2Q ¥ 100.45/\$

Bunker Price 2Q \$615/MT

A-3. Estimate for Yearly FY2014

(Unit:billion yen)

	2014			2013			Comparison with FY2013	Previous Estimate*		
	1H	2H	FY	1H	2H	FY		1H	2H	FY
Operating Revenues	650.0	600.0	1,250.0	606.6	617.5	1,224.1	25.9	630.0	600.0	1,230.0
Operating Income	18.0	18.0	36.0	19.8	9.1	28.9	7.1	18.0	18.0	36.0
Ordinary Income	15.0	19.0	34.0	20.0	12.5	32.5	1.5	17.0	17.0	34.0
Net Income	11.0	7.0	18.0	14.7	1.9	16.5	1.5	11.0	7.0	18.0
Exchange Rate	¥101.43	¥100.00	¥100.71	¥98.03	¥101.48	¥99.75	¥0.96	¥100.00	¥100.00	¥100.00
Bunker Price	\$615	\$621	\$618	\$628	\$623	\$626	▲ \$8	\$621	\$621	\$621

*Previous Estimate as of Apr 2014

(Unit:billion yen)

		2014		
		1H	2H	FY
Containership Business	Operating Revenues	320.0	290.0	610.0
	Ordinary Income	6.0	▲ 4.0	2.0
Bulk Shipping Business	Operating Revenues	295.0	275.0	570.0
	Ordinary Income	12.0	24.0	36.0
Offshore Energy E&P Support & Heavy Lifter	Operating Revenues	15.0	15.0	30.0
	Ordinary Income	▲ 1.0	1.0	0.0
Other	Operating Revenues	20.0	20.0	40.0
	Ordinary Income	1.0	1.0	2.0
Adjustment	Operating Revenues	-	-	0
	Ordinary Income	▲ 3.0	▲ 3.0	▲ 6.0
Total	Operating Revenues	650.0	600.0	1,250.0
	Ordinary Income	15.0	19.0	34.0

【Dividend Plan】

Interim: 2.5 /Year-end :2.5 yen per share

【Premises】

Exchange Rate 2H ¥100.00/\$

Bunker Price 2H \$621/MT

【Sensitivity against Ordinary Income in 2H】

Exchange Rate : ± ¥1/\$ ⇒ ± 0.6 billion yen

Bunker Price : ± \$10/MT ⇒ ± 0.6 billion yen

A-4. Key Points

<Y on Y Comparison>

1H : Revenue Increase (+ 43.4 billion yen) / Profit Decrease (▲ 5.0 billion yen)

(Unit: billion yen)

Variation Factors	FY2014 1H Comparison with FY2013	
Exchange Rate	2.0	Exchange rate 3.4 yen/\$ lower than 2013
Bunker Oil Price	0.8	Bunker Price \$13/MT lower than 2013
Market Volatility	▲ 4.9	Freight decline in Drybulk
Cost Increase/Decrease	6.3	Cost saving/Earning Improvement (Presentation material A-5)
Others	▲ 9.2	Effect from revaluation of exchange rate and others
Total	▲ 5.0	

<Comparison with Previous Estimate as of Apr 2014>

1H : Revenue Increase (+20.0 billion yen) / Profit Decrease (▲ 2.0 billion yen)

(Unit: billion yen)

Variation Factors	FY2014 1H Comparison with Previous Estimate as of Apr 2014	
Exchange Rate	0.7	Exchange rate 1.43 yen/\$ lower than Previous Estimate
Bunker Oil Price	0.3	Bunker Price \$6/MT lower than Previous Estimate
Market Volatility	▲ 0.1	Freight decline in Drybulk
Cost Increase/Decrease	1.8	Cost saving/Earning Improvement (Presentation material A-5)
Others	▲ 4.7	Effect from revaluation of exchange rate and others
Total	▲ 2.0	

A-5. Progress of Cost Saving Plan

- Target for Cost Saving in FY2014 as of April 13.1 billion yen
- Updated estimate in FY 2014 14.2 billion yen
- Expect to add 1.1 billion yen from original target for full year set as of April

(Billion yen)

	Target			Estimate in 1H	Updated estimate through the year	Achievement rate
	through the year	Target in 1H	Target in 2H			
Containership Business: Business Restructuring/Operational Cost Saving/ Earning Improvement	7.7	2.2	5.6	4.0	8.8	114%
Non-Containership Business and Others	5.4	2.4	2.9	2.3	5.4	100%
Total	13.1	4.6	8.5	6.3	14.2	108%

B. Division-wise Trends

B-1. Division-wise Trends

-Containership Business-

< 14F1Q Result > Y on Y Comparison: Revenue Increased/Profit Improved

- Cargo volume increased in East-West trades
- Freight restoration succeeded in Asia-Europe trade
- Profit improved by continuous challenge of cost saving

<Focus for the Future>

- Further freight restoration is expected although supply demand is still uncertain due to deliveries of large ships.
- Try to strengthen cost competitiveness by continuous business management weighting profitability.

		FY2013					FY2014
		1Q	2Q	3Q	4Q	FY	1Q
Operating Revenues (billion yen)		141.9	152.4	142.1	146.0	582.4	158.4
Ordinary Income (billion yen)		▲ 0.0	1.5	▲ 2.6	1.0	▲ 0.1	2.2
Trend of Freight Index FY'08 1Q=100	Asia-North America	98	96	93	99	96	97
	Asia-Europe	62	76	71	83	73	78
Lifting (10,000 TEU)	Asia-North America	19.4	21.0	19.8	17.4	77.7	21.3
	Asia-Europe	12.1	12.2	11.1	10.4	45.8	12.7
Capacity(10,000 TEU)	Asia-North America	21.4	23.1	20.6	19.2	84.3	21.7
	Asia-Europe	12.9	13.4	11.5	11.4	49.2	13.4
Utilization	Asia-North America	91%	91%	96%	91%	92%	98%
	Asia-Europe	94%	91%	96%	91%	93%	95%

B-2. Division-wise Trends

-Dry Bulk Business-

<14F1Q Result> Y on Y Comparison: Revenue Increased & Profit Decreased

- Market of Capesize : Still depressed market continued due to mood of vessel capacity surplus despite continuous growth in Chinese iron ore import volume.
- Market of Panamax and under : Market was down because of supply and demand imbalance due to complicated factors such as soften cargo volume of coal.

<Focus for the Future>

- Capesize market is expected to recover after summer season.
- Market of Panamax and under will need more time to diminish capacity surplus mood in the market.
- Through continuous earning improvement measures to build a profitable structure not to be easily affected by spot market conditions.

Dry Bulk Market*	FY2013					FY2014		
	1Q	2Q	3Q	4Q	FY	1Q	2Q	1H
Cape(170type)	\$6,300	\$19,100	\$27,400	\$16,200	\$17,300	\$11,900	\$15,000	\$13,450
Panamax(74type)	\$7,800	\$9,000	\$14,300	\$10,500	\$10,400	\$6,300	\$8,700	\$7,500
Handy(53type)	\$9,300	\$9,800	\$14,200	\$11,600	\$11,200	\$9,000	\$8,800	\$8,900
Small(28type)	\$7,400	\$7,500	\$9,500	\$9,300	\$8,400	\$7,800	\$7,300	\$7,550

(*) 4T/C Average

B-3. Division-wise Trends

-Car Carrier Business-

<14F1Q Result> Y on Y Comparison: Revenue Increased & Profit Decreased

- Total units carried (including intra-Europe) : 821 thousand units (▲5% Y on Y).
- Transportation demand of completed cars was strong in trades from Europe and North America to Asia and trans-Atlantic.
- Export volume from Japan was downtrends.
- Tackled to improve effective vessel allocation and operation .

<Focus for the Future>

- Global car transportation demand is continuously steady.
- Try to change our business flexibly in response to change of trade pattern such as export from South East Asia is increasing and expansion of cargo movement in trans-Atlantic

Loading Results (1,000 units)	FY2013					FY2014
	1Q	2Q	3Q	4Q	FY	1Q
Outbound	264	265	288	280	1,095	248
Homebound	86	76	86	90	337	80
Others	310	289	279	221	1,099	285
Intra-Europe	201	189	168	188	746	208
Total	861	818	820	778	3,278	821
Number of Operating vessels	96	97	98	98	-	98

B-4. Division-wise Trends

-LNG Carrier and Oil Tanker-

<14F1Q Result> Y on Y Comparison: Revenue & Profit Decreased

【LNG】 -Secured stable profit by long and middle term contracts.

【Tankers】 -VLCC/LPG tankers : Stable operation under long and middle term contracts but some negative impact from contracts related to spot market.

-AFRAMAX tankers/Product tankers: Impact from market downturn was limited because of fleet cutdown.

<Focus for the Future>

【LNG】 -Steady performance with long and middle term contracts.

【Tankers】 -VLCC/LPG tankers : Try to secure stable profit under long and middle term contracts.

-AFRAMAX tankers/Product tankers: Try to improve profitability by effective vessel allocation.

Tanker Market (WS)	FY2013					FY2014
	1Q	2Q	3Q	4Q	FY	1Q
VLCC (M.East / Jpn)	38	36	54	49	44	38
	\$15,000	\$14,050	\$40,467	\$31,137	\$25,163	\$12,200
Aframax (S.Asia / Jpn)	76	71	80	91	80	91
	\$9,400	\$8,000	\$12,000	\$16,467	\$11,467	\$14,200
Clean 70,000 type (M.East / Jpn)	84	92	82	79	84	88
	\$9,800	\$13,700	\$9,733	\$8,605	\$10,460	\$14,600

B-5. Division-wise Trends

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

【 Offshore Energy E&P Support 】

<14F1Q Result > Y on Y Comparison: Revenue Decreased & Loss Expanded

【Offshore Support Vessels】- Steady operation while spot market was low.

-Profit decreased due to valuation loss by exchange rate.

【Drillship】-Stable profit contribution by steady operation.

<Focus for the Future>

【Offshore Support Vessels/Drillship】 -Expecting profit contribution by steady operation.

【 Heavy Lifters 】

<14F1Q Result > Y on Y Comparison: Revenue Increased & Loss Expanded

-Heavy Lifter market was generally downtrends.

-Tried to improve profit by cost saving as strict eco slow steaming, etc..

<Focus for the Future>

-Making further efforts to win more orders of cargo transportation and installation works with higher profitability in accordance with an increase in energy/infrastructure projects.

-Keep on further cost saving to increase profit.