

# Financial Highlights

## Brief Report for FY2013 (March 2014)

30 April 2014

Kawasaki Kisen Kaisha, Ltd.

# Agenda

---

---

## A. Financial Highlights for FY2013

- A-1-1 Financial Results
- A-1-2 Financial Results (Segmental Breakdown)
- A-2 Key Points

## B. Estimate for FY2014

- B-1 Estimate for Yearly FY2014
- B-2 Key Points for FY2014
- B-3 Progress of Mid-Term Management Plan
- B-4 Progress of Cost Saving Plan

## C. Division-wise Trends

- C-1 Containership Business
- C-2 Bulk Shipping Business – Dry Bulk Business
- C-3 Bulk Shipping Business – Car Carrier Business
- C-4 Bulk Shipping Business – LNG Carrier Business and  
Oil Tanker Business
- C-5 Offshore Energy E&P Support & Heavy Lifter Segment

## A. Financial Highlights for FY2013

# A-1-1. Financial Results

## <FY2013 Results>

**Comparison with FY2012 : Operating Revenue: Increased / Ordinary Income: Increased**

**Comparison with Previous Estimate as of Jan 2014: Operating Revenue Increased/ Ordinary Income Increased**

(unit : billion yen)

	FY2013					Previous Estimate as of Jan 14 (3Q)		FY2012	
	1Q	2Q	3Q	4Q	FY Accumulated	FY Accumulated	Y on Y Comparison	FY Accumulated	Y on Y Comparison
<b>Operating Revenues</b>	295.7	310.9	311.4	306.1	1,224.1	1,210.0	14.1	1,134.8	89.4
<b>Operating Income</b>	7.3	12.5	4.3	4.8	28.9	28.0	0.9	14.9	14.0
<b>Ordinary Income</b>	10.9	9.1	9.2	3.3	32.5	30.0	2.5	28.6	3.9
<b>Net Income</b>	7.0	7.7	1.0	0.9	16.6	16.0	0.6	10.7	6.0
<b>Exchange Rate</b>	¥97.72	¥98.34	¥99.56	¥103.40	¥99.75	¥99.66	¥0.09	¥82.33	¥17.42
<b>Bunker Price</b>	\$638	\$619	\$621	\$626	\$626	\$625	\$1	\$671	▲ \$45

Decrease by 17.42 yen / US\$ in exchange rate resulted in approx. plus 14.9 billion yen (YoY)

Fuel oil price down by US\$45 per met.ton resulted in approx. plus 6.3 billion yen (YoY)

**【Dividend Payout】** Dividend ¥4.5 per share as year-end due to improvement of net profit

(Increase by ¥2.0 per share YoY , Increase by ¥1.0 compared with last estimate)

# A-1-2. Financial Results

## (Business-wise Operating Revenues/Ordinary Income)



(unit : billion yen)

		FY2013					Previous Estimate as of Jan 14 (3Q)		FY2012	
		1Q	2Q	3Q	4Q	FY Accumulated	FY Accumulated	Y on Y Comparison	FY Accumulated	Y on Y Comparison
Containership Business	Operating Revenues	141.9	152.4	142.1	146.0	582.4	575.0	7.4	552.8	29.6
	Ordinary Income	0.0	1.5	▲ 2.6	1.0	▲ 0.1	▲ 3.0	2.9	6.6	▲ 6.8
Bulk Shipping Business	Operating Revenues	136.1	141.5	150.9	144.2	572.7	570.0	2.7	502.6	70.1
	Ordinary Income	12.2	9.7	12.4	7.0	41.3	41.0	0.3	24.1	17.2
Offshore Energy E&P Support & Heavy Lifter	Operating Revenues	8.5	8.1	9.2	7.0	32.8	30.0	2.8	35.7	▲ 2.9
	Ordinary Income	▲ 1.2	▲ 0.7	▲ 1.2	▲ 1.4	▲ 4.5	▲ 5.0	0.5	▲ 2.4	▲ 2.1
Others	Operating Revenues	9.3	8.7	9.3	8.9	36.2	35.0	1.2	43.7	▲ 7.5
	Ordinary Income	1.5	0.5	1.4	▲ 0.8	2.6	3.5	▲ 0.8	6.6	▲ 3.9
Adjustment	Operating Revenues	-	-	-	-	-	-	-	-	-
	Ordinary Income	▲ 1.5	▲ 2.0	▲ 0.8	▲ 2.5	▲ 6.8	▲ 6.5	▲ 0.3	▲ 6.3	▲ 0.5
Total	Operating Revenues	295.7	310.9	311.4	306.1	1,224.1	1,210.0	14.1	1,134.8	89.4
	Ordinary Income	10.9	9.1	9.2	3.3	32.5	30.0	2.5	28.6	3.9

# A-2. Key Points

<Comparison with Previous Estimate> Revenue Increase 14.1 bln yen, Income Increase 2.5 bln yen

(unit: billion yen)

Variation Factors	FY2013 Comparison with Previous Estimate as of Jan'14(3Q)	
Exchange Rate	0.1	Exchange rate 0.09 yen /\$ lower than expected in Jan
Bunker Oil Price	0.0	Bunker Price \$1/MT higher than expected in Jan
Market Volatility	1.4	Increase of Container volume for Europe , Recovery of Dry Bulk Market
Efficient Tonnage Allocation	0.6	Mainly efficient allocation of vessels in Bulk Shipping
Cost Increase/Decrease	▲ 0.1	
Others	0.5	
Total	2.5	

<Comparison with FY2012> Revenue Increase 89.4 bln yen, Income Increase 3.9 bln yen

(unit: billion yen)

Variation Factors	FY2013 Comparison with FY2012	
Exchange Rate	14.9	Exchange rate 17.42 yen /\$ lower than 2012
Bunker Oil Price	6.3	Bunker Price \$45/MT lower than 2012
Market Volatility	▲ 29.8	Freight decline in Containership
Efficient Tonnage Allocation	8.1	Mainly efficient allocation of vessels in Bulk Shipping
Cost Increase/Decrease	25.8	Cost saving in Containership (Presentation material B-4)
Others	▲ 21.4	Effect from revaluation of exchange rate, Change of subsidiaries' accounting term and Fluctuation of Related Companies, etc
Total	3.9	

## B. Estimate for FY 2014

# B-1. Estimate for Yearly FY2014

(unit : billion yen)

	FY2014 Estimate			FY2013	Y on Y Comparison
	1H	2H	FY Estimate	FY	
Operating Revenues	630.0	600.0	1,230.0	1,224.1	5.9
Operating Income	18.0	18.0	36.0	28.9	7.1
Ordinary Income	17.0	17.0	34.0	32.5	1.5
Net Income	11.0	7.0	18.0	16.6	1.4
Exchange Rate	¥100.00	¥100.00	¥100.00	¥99.75	¥0.25
Bunker Price	\$621	\$621	\$621	\$626	▲\$5

(unit : billion yen)

		FY2014		
		1H	2H	FY
Containership Business	Operating Revenues	320.0	290.0	610.0
	Ordinary Income	4.0	▲ 4.0	0.0
Bulk Shipping Business	Operating Revenues	275.0	275.0	550.0
	Ordinary Income	15.0	23.0	38.0
Offshore Energy E&P Support & Heavy Lifter	Operating Revenues	15.0	15.0	30.0
	Ordinary Income	0.0	0.0	0.0
Others	Operating Revenues	20.0	20.0	40.0
	Ordinary Income	1.0	1.0	2.0
Adjustment	Operating Revenues	-	-	-
	Ordinary Income	▲ 3.0	▲ 3.0	▲ 6.0
Total	Operating Revenues	630.0	600.0	1,230.0
	Ordinary Income	17.0	17.0	34.0

## 【Dividend Plan】

Annual Dividend 5.0 yen/share ( interim 2.5 yen )

## 【Premises】

Exchange Rate ¥100.00/\$

Bunker Price \$621/mt

## 【Sensitivity against Ordinary Income】

Exchange Rate: ± ¥1/\$ => ± 1.2 billion yen

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



## B-2. Key Points

<Comparison with FY2013> Revenue Increase 5.9 billion yen, Income Increase 1.5 billion yen

(unit: billion yen)

Variation Factors	FY2014 Comparison with FY2013	
Exchange Rate	0.2	Exchange rate 0.25 yen /\$ lower than 2013
Bunker Oil Price	0.6	Bunker Price \$5/MT lower than 2013
Market Volatility	0.5	Market change in Bulk Shipping
Cost Increase/Decrease	13.1	Cost saving and Earning Improvement (Presentation material B-4)
Others	▲ 12.9	Effect from revaluation of exchange rate and Others
Total	1.5	

# B-3. Progress of Mid-Term Management Plan

## Main Financial Indices

(Billion yen, %)

	2012F			2013F			2014F		
	Result(A)	Original Plan(B)	(A)-(B)	Result(A)	Original Plan(B)	(A)-(B)	Estimate(A)	Original Plan(B)	(A)-(B)
Operating Revenues	1,134.8	1,120.0	14.8	1,224.1	1,070.0	154.1	1,230.0	1,110.0	120.0
Ordinary Income	28.6	12.0	16.6	32.5	39.0	▲ 6.5	34.0	60.0	▲ 26.0
Net Income	10.7	11.0	▲ 0.3	16.6	25.0	▲ 8.4	18.0	42.0	▲ 24.0
EBITDA	104.8	100.0	4.8	90.5	110.0	▲ 19.5	89.0	135.0	▲ 46.0
Shareholder's Equity	340.6	260.0	80.6	388.8	280.0	108.8	404.0	330.0	74.0
Operating CF	59.8	67.0	▲ 7.2	88.2	90.0	▲ 1.8	68.0	113.0	▲ 45.0
Investment CF	▲ 27.2	▲ 50.0	22.8	▲ 5.1	▲ 50.0	44.9	▲ 50.0	▲ 50.0	0.0
DER	185%	223%	▲ 38%	166%	193%	▲ 27%	136%	148%	▲ 13%
NET DER	137%	186%	▲ 48%	105%	158%	▲ 53%	97%	119%	▲ 22%
Equity Ratio	28.9%	23.4%	5.4%	31.0%	25.7%	5.3%	33.5%	30.3%	3.2%

Remark: "Mid-Term Management Plan is "K" Line Vision 100 - Bridge to the Future – which was announced in April 2012.

- **Investment CF in FY2012 and FY2013 are much lower than original target ¥50 billion.**  
It will be limited within ¥50 billion yen in FY 2014.
- **Steady improvement of Financial standing and Equity Ratio achieved more than 30% as of end FY2013.**
- **Continue further strengthening Financial standing.**

# B-4. Progress of Cost Saving Plan

- 2013
- Original cost saving target in FY2013 14.5 billion yen
  - Actual achievement in FY2013 25.8 billion yen
  - 11.3 billion yen improved compared with original target

(Billion yen)

<b>Result of FY 2013</b>	Original Target	Result in 1H	Result in 2H	Result in FY	Comparison with Target	Achievement rate
Containership Business: Business Restructuring/Operational Cost Saving/ Earning Improvement	7.5	5.6	13.4	19.0	11.5	253%
Non-Containership Business and Others	7.0	3.6	3.2	6.8	▲ 0.2	97%
<b>Total</b>	<b>14.5</b>	<b>9.2</b>	<b>16.6</b>	<b>25.8</b>	<b>11.3</b>	<b>178%</b>

- 2014
- Target for Cost Saving in FY2014 13.1 billion yen

(Billion yen)

<b>Target of FY 2014</b>	Target in 1H	Target in 2H	Target in FY
Containership Business: Business Restructuring/Operational Cost Saving/ Earning Improvement	2.2	5.6	7.7
Non-Containership Business and Others	2.4	2.9	5.4
<b>Total</b>	<b>4.6</b>	<b>8.5</b>	<b>13.1</b>

## C. Division-wise Trends

# C-1. Division-wise Trends

## - Containership Business -

### <FY2013 Results>

**Comparison with FY2012 :Operating Revenue: Increased / Ordinary Income: Almost Break -even**

**Comparison with Previous Estimate as of Jan 2014: Operating Revenue : Increased / Ordinary Income : Improved**

-Profitability worsened compared with last year due to volatile freight market in both East-West and North-South routes.

-Worked further cost saving to improve earning.

### <FY 2014 Estimate>

**Comparison with FY2013 : Operating Revenue : Increase / Ordinary Income : Break-even**

#### <Focus for the Future>

-It is expected that real freight market recovery will take more time although cargo volume of East-West route is going to increase due to recovery of US economic trends.

- Continue careful business management and try to improve earning by further cost reduction

		FY2012	FY2013				FY2014	
		FY	1Q	2Q	3Q	4Q	FY	Est
<b>Operating Revenues (billion yen)</b>		552.8	141.9	152.4	142.2	146.0	582.4	610.0
<b>Ordinary Income (billion yen)</b>		6.6	0.0	1.5	▲ 2.6	1.0	▲ 0.1	0.0
<b>Trend of Freight Index FY'08 1Q= 100</b>	Asia-North America	102	98	96	93	99	96	-
	Asia-Europe	85	62	76	71	83	73	-
<b>Lifting (10,000 TEU)</b>	Asia-North America	76.6	19.4	21.0	19.8	17.4	77.7	82.5
	Asia-Europe	48.0	12.1	12.2	11.1	10.4	45.8	46.8
<b>Capacity(10,000 TEU)</b>	Asia-North America	81.3	21.4	23.1	20.6	19.2	84.3	87.3
	Asia-Europe	53.4	12.9	13.4	11.5	11.4	49.2	49.5
<b>Utilization</b>	Asia-North America	429.1	91%	91%	96%	91%	92%	94%
	Asia-Europe	0.9	94%	91%	96%	91%	93%	95%

# C-2. Division-wise Trends

## -Dry Bulk Business-

### <FY2013 Results>

**Comparison with FY2012 : Operating Revenue & Ordinary Income : Increased**

**Comparison with Previous Estimate as of Jan 2014: Operating Revenue & Ordinary Income : Increased**

- Market of Capesize : Market picked up drastically after summer due to increase of cargo movement such as iron ore for China.
- Market of Panamax and under : Market recovered as ship demand increased because of accelerate cargo movement of coal and nickel,etc.

### <FY 2014 Estimate>

**Comparison with FY2013 : Operating Revenue : Almost flat / Ordinary Income : Increase**

#### <Focus for the Future>

- Market of Capesize : Assuming further market recovery due to decreasing new ship deliveries and increasing cargo volume.
- Market of Panamax and under : Assuming stable market recovery with improvement of Capesize market.

Dry Bulk Market*	FY2012	FY2013							FY2014		
	FY	1Q	2Q	1H	3Q	4Q	2H	FY	1H Est	2H Est	FY Est
<b>Cape(170type)</b>	\$7,350	\$6,300	\$19,100	\$12,700	\$27,400	\$16,200	\$21,800	\$17,300	\$19,000	\$23,000	\$21,000
<b>Panamax(74type)</b>	\$7,575	\$7,760	\$8,940	\$8,350	\$14,300	\$10,500	\$12,400	\$10,400	\$15,000	\$15,000	\$15,000
<b>Handy(53type)</b>	\$9,250	\$9,320	\$9,770	\$9,545	\$14,200	\$11,600	\$12,900	\$11,200	\$13,000	\$13,000	\$13,000
<b>Small</b>	\$7,525	\$7,340	\$7,480	\$7,410	\$9,500	\$9,300	\$9,400	\$8,400	\$9,500	\$9,500	\$9,500

(\*)4T/C Average

# C-3. Division-wise Trends

## -Car Carrier Business-

### <FY2013 Results>

**Comparison with FY2012 :Operating Revenue: Increased / Ordinary Income: Increased**

**Comparison with Previous Estimate as of Jan 2014: Operating Revenue & Ordinary Income : Almost as expected**

Total units carried (inc. intra-Europe) : 3.28 million units (approx. ▲2 % (Y o Y))

- Improvement in operation efficiency and profitability due to streamlining service routes and cargo contract review,etc

### <FY2014 Estimate>

**Comparison with FY2013 : Operating Revenue & Ordinary Income : Decrease**

-Steady transport demand of completed cars in worldwide

-Cargo trends of export from Japan is downturn

-Flexible service along with change of trade pattern as increasing export from South East Asia and expanding demand Trans-Atlantic.

Loading Results (1,000 units)	FY2012	FY2013					FY2014		
	FY	1Q	2Q	3Q	4Q	FY	1H	2H	Est
<b>Outbound</b>	1,095	264	265	288	280	1,095	500	550	1,060
<b>Homebound</b>	309	86	76	86	90	337	160	160	320
<b>Others</b>	1,180	310	289	279	221	1,099	560	550	1,110
<b>Intra-Europe</b>	760	201	189	168	188	746	370	340	710
<b>Total</b>	3,344	861	818	820	778	3,278	1,600	1,600	3,200
Number of Operating vessels	95	96	97	98	98	-	-	-	-

# C-4. Division-wise Trends

## -LNG Carrier and Oil Tanker Business-



### <FY2013 Results>

**Comparison with FY2012 : Operating Revenue: Almost flat / Ordinary Income: Increased**

**Comparison with Previous Estimate as of Jan 2014: Operating Revenue & Ordinary Income : As expected**

【LNG】 Secured stable profit by long and middle term contracts due to firm demand for LNG.

【Tankers】 VLCC: Stable operation under long and middle term contracts.

AFRAMAX tankers/Product tankers: Minimized impact of spot market by fleet reduction in previous year as redelivery and disposal.

### <FY 2014 Estimate>

**Comparison with FY2013 : Operating Revenue & Ordinary Income : Almost flat**

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

【Tankers】 Trying to secure steady earnings by long and middle term contracts in VLCC and LPG carrier.

Improving earnings by further efficient ship deployment in AFRAMAX tankers and Product tankers.

Tanker Market		FY2012	FY2013						FY2014			
		FY	1Q	2Q	1H	3Q	4Q	2H	FY	1H	2H	Est
VLCC (M.East / Jpn)	WS	43	38	36	37	54	49	52	44	54	54	54
	C/B	\$14,500	\$15,000	\$14,050	\$14,525	\$40,470	\$31,140	\$35,800	\$25,170	\$35,000	\$35,000	\$35,000
Aframax (S.Asia / Jpn)	WS	90	76	71	73	80	91	86	80	97	97	97
	C/B	\$10,400	\$9,400	\$8,000	\$8,500	\$12,000	\$16,470	\$14,230	\$11,470	\$16,500	\$16,500	\$16,500
Clean 70,000 type (M.East / Jpn)	WS	99	84	92	88	82	79	81	84	90	90	90
	C/B	\$16,650	\$13,800	\$17,700	\$15,750	\$13,730	\$12,605	\$13,170	\$14,460	\$15,000	\$15,000	\$15,000



# C-5. Division-wise Trends

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

### **【 Offshore Energy E&P Support 】**

#### **<FY2013 Results>**

**Comparison with FY2012 : Operating Revenue : Increased / Ordinary Income : Decreased**

**Comparison with Previous Estimate as of Jan 2014: Operating Revenue & Ordinary Income : Increased**

**【Offshore Support Vessels】** Steady fleet working but profit decreased by effect of exchange rate.

**【Drillship】** Contributed as long term steady source of profit.

#### **<FY 2014 Estimate>**

**Comparison with FY2013 : Operating Revenue : Flat / Ordinary Income : Increase**

**【Offshore Support Vessels】** Steady market is expected and stable profit from long and middle term contracts .

**【Drillship】** Making profit by steady ship operation.

### **【 Heavy Lifters 】**

#### **<FY2013 Results>**

**Comparison with FY2012 :Operating Revenue: Decreased / Ordinary Income: Decreased deficit**

**Comparison with Previous Estimate as of Jan 2014: Operating Revenue : Increase / Ordinary Income : Earning worsend little.**

-The overall Heavy Lifter's market was downturn

#### **<FY 2014 Estimate>**

**Comparison with FY2013 : Operating Revenue: Flat / Ordinary Income: Decrease deficit**

-It is expected that market recovery in small and middle size heavy Lifters will take some time.

-Focus on increasing contracts of high profit cargo transport and installation operation with increasing energy and infracture related projects.

**Thank you.**