

Financial Highlights

Brief Report for 3rd Quarter FY2013

31 January 2014

Kawasaki Kisen Kaisha, Ltd.

A. Financial Highlights for 3rd Quarter FY2013

- A-1 Financial Results for 3rd Quarter FY2013
- A-2 Key Points of 3Q Accumulated Results FY2013
- A-3 Estimate for Yearly FY2013
- A-4 Key Points of Yearly FY2013
- A-5 Progress of Cost Saving Plan

B. Division-wise Trends

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

A. Financial Highlights for 3rd Quarter FY2013

A-1. Financial Results for 3rd Quarter FY2013



(unit: billion yen)

	2013			2012	
	1H	3Q	Accumulated	Accumulated	Comparison with FY2012
Operating Revenues	606.6	311.4	918.0	802.4	115.6
Operating Income	19.8	4.3	24.1	10.6	13.5
Ordinary Income	20.0	9.2	29.2	10.6	18.6
Net Income	14.7	1.0	15.7	9.4	6.3
Exchange Rate	¥98.03	¥99.56	¥98.54	¥79.75	¥18.79
Bunker Price	\$628	\$621	\$626	\$677	▲ \$52

Major Financial Indices

Unit: Billion yen/%

	2013 3Q	2012 FY	Comparison
	End-Dec 2013	End-March 2013	
Shareholder's Equity	398.7	340.6	58.1
Cash and Deposits	236.8	162.1	74.7
Interest-bearing Debt	654.8	629.9	24.9
DER	164%	185%	▲21%
NET DER	105%	137%	▲32%
Equity Ratio	31.1%	28.9%	2.2%

(Unit: billion yen)

		2013			2012	
		1H	3Q	Accumulated	Accumulated	Comparison with FY2012
Containership Business	Operating Revenues	294.3	142.1	436.4	393.9	42.5
	Ordinary Income	1.5	▲ 2.6	▲ 1.1	2.9	▲ 4.0
Bulk Shipping Business	Operating Revenues	277.6	150.9	428.5	361.2	67.3
	Ordinary Income	21.9	12.4	34.3	9.4	24.9
Offshore Energy E&P Support & Heavy	Operating Revenues	16.6	9.2	25.8	17.8	8.0
	Ordinary Income	▲ 1.9	▲ 1.2	▲ 3.1	▲ 2.6	▲ 0.5
Other	Operating Revenues	18.0	9.3	27.3	29.6	▲ 2.3
	Ordinary Income	2.0	1.4	3.4	4.4	▲ 1.0
Adjustment	Operating Revenues	-	-	-	-	-
	Ordinary Income	▲ 3.5	▲ 0.8	▲ 4.3	▲ 3.5	▲ 0.8
Total	Operating Revenues	606.6	311.4	918.0	802.4	115.6
	Ordinary Income	20.0	9.2	29.2	10.6	18.6

【2013 3Q Free CF】

+ 63.7 bil yen

(Operating CF 78.6 / Investment CF ▲14.9)

【Extraordinary Loss in 2013 3Q】

Loss provision related to the Anti-Monopoly Act

▲ 5.7 bil yen

Devalue 18.79 Yen / US\$ in exchange rate resulted in Ordinary Income of Accumulated results approx + 12.3 billion yen (YoY)

Decrease of bunker price \$52 per met.ton resulted in Ordinary Income of Accumulated results +5.5 billion yen (YoY)

A-2. Key Points of 3Q Accumulated Results

<Y on Y Comparison>

3Q Accumulated : Revenue Increase (+ 115.6 billion yen) / Profit Increase (+18.6 billion yen)

(Unit : Billion yen)

Variation Factors	2013 3Q Accumulated Comparison with 2012 3Q Accumulated	
Exchange Rate	12.3	Exchange rate 18.79/\$ lower than 2012 3Q Accumulated
Bunker Oil Price	5.5	Bunker price \$51.63/mt lower than 2012 3Q Accumulated
Market Volatility	▲ 27.5	Mainly freight downturn in Containership
Efficient Tonnage Allocation	7.2	Mainly efficient allocation of vessels in Bulk Shipping
Cost Increase/Decrease	17.6	Cost saving in Containership has done well
Related Companies	0.4	
Others	3.1	Effect from revaluation of exchange rate, etc
Total	18.6	

A-3. Estimate for Yearly FY2013

(Unit:billion yen)

	2013			2012	Comparison with FY2012	Previous Estimate*	Comparison with Previous Estimate
	Accumulated	4Q	FY	FY		FY	
Operating Revenues	918.0	292.0	1210.0	1134.8	75.2	1180.0	30.0
Operating Income	24.1	3.9	28.0	14.9	13.1	28.0	0.0
Ordinary Income	29.2	0.8	30.0	28.6	1.4	27.0	3.0
Net Income	15.7	0.3	16.0	10.7	5.3	16.0	0.0
Exchange Rate	¥98.54	¥103.00	¥99.66	¥82.33	¥17.33	¥99.02	¥0.64
Bunker Price	\$626	\$622	\$625	\$671	▲ \$46	\$614	\$11

*Previous Estimate= Estimate as of Oct 2013

(Unit:billion yen)

		2013		
		Accumulated	4Q	FY
Containership Business	Operating Revenues	436.4	138.6	575.0
	Ordinary Income	▲ 1.1	▲ 1.9	▲ 3.0
Bulk Shipping Business	Operating Revenues	428.5	141.5	570.0
	Ordinary Income	34.3	6.7	41.0
Offshore Energy E&P Support & Heavy	Operating Revenues	25.8	4.2	30.0
	Ordinary Income	▲ 3.1	▲ 1.9	▲ 5.0
Other	Operating Revenues	27.3	7.7	35.0
	Ordinary Income	3.4	0.1	3.5
Adjustment	Operating Revenues	-	-	-
	Ordinary Income	▲ 4.3	▲ 2.2	▲ 6.5
Total	Operating Revenues	918.0	292.0	1210.0
	Ordinary Income	29.2	0.8	30.0

【Premises in 4Q】

Exchange Rate ¥ 103/\$

Bunker Price \$622/MT

【Sensitivity against Ordinary Income in 4Q】

Exchange Rate : ± ¥1/\$⇒ ±0.2 bln yen

Bunker Price : ± \$10/MT⇒ ±0.3 bln yen

【Dividend Plan】

Interim: Nil. / Year-end :3.5 yen per share

A-4. Key Points of FY2013

<Comparison with Previous Estimate as of Oct 2013>

FY : Revenue Increase(+ 30.0 billion yen) / Profit Increase(+3.0 billion yen)

(Unit : Billion yen)

Variation Factors	2013 FY Comparison with with Previous Estimate as of Oct 2013	
Exchange Rate	0.2	Exchange rate 0.64/\$ lower than previous estimate
Bunker Oil Price	▲ 1.2	Bunker price \$11/mt higher than previous estimate
Market Volatility	1.4	
Efficient Tonnage Allocation	0.1	Mainly efficient allocation of vessels in Bulk Shipping
Cost Increase/Decrease	1.7	Cost saving increase further
Related Companies	▲ 0.7	
Others	1.4	Effect from revaluation of exchange rate, etc
Total	3.0	

<Y on Y Comparison>

FY : Revenue Increase(+ 75.2 billion yen) / Profit Increase(+1.4 billion yen)

(Unit : Billion yen)

Variation Factors	2013 FY Comparison with 2012	
Exchange Rate	14.8	Exchange rate 17.33/\$ lower than 2012
Bunker Oil Price	6.3	Bunker price \$46/mt higher than 2012
Market Volatility	▲ 31.2	Mainly freight downturn in Containership
Efficient Tonnage Allocation	7.5	Mainly efficient allocation of vessels in Bulk Shipping
Cost Increase/Decrease	25.9	Cost saving increase further including effect of rationalization in Container
Related Companies	0.7	
Others	▲ 22.7	Temporary effect in 2012(revaluation of exchange rate, change of subsidiaries' accounting term, etc)
Total	1.4	

A-5. Progress of Cost Saving Plan

- Target for Cost Saving in FY2013 as of April 14.5 billion yen (Current Estimate is 25.9 billion yen)
- Actual achievement in Accumulated 3Q FY2013 17.6 billion yen (completed 122%)
- Further 11.5 bln yen Cost Saving is planned in Containership Business in addition to original plan
- In FY2013 expect to increase further from original target set as of April

(Unit : Billion yen / %)

	Original Target through the year	Result in 1H	Result in 3Q	Result in Accumulated	Achievement rate in Accumulated 3Q	Estimate through the year	Achievement rate through the year
Containership Business: Business Restructuring, Operational Cost Saving and Earning Improvement	7.5	5.6	6.7	12.3	164%	19.0	253%
Bulk Shipping Business and Others	7.0	3.6	1.7	5.3	76%	6.9	98%
Total	14.5	9.2	8.4	17.6	122%	25.9	178%

B. Division-wise Trends

B-1. Division-wise Trends

-Containership Business-

< 13F3Q Accumulated Results > Y on Y Comparison: Revenue Increased/Profit Turned to Red

Volatile freight market in both East-West route and North-South route due to deliveries of new large vessels.

Profit decreased Y on Y despite working through further efficient vessel deployment and cost saving.

<Focus for the Future>

- Freight restoration.
- Economic trend of Europe
- Continuing rationalization mainly in East –West route and trying further cost reduction

		2012					2013			
		1Q	2Q	3Q	4Q	FY	1Q	2Q	1H	3Q
Operating Revenues (billion yen)		133.2	137.8	122.8	158.9	552.8	141.9	152.4	294.3	142.2
Ordinary Income (billion yen)		0.6	3.2	▲ 0.9	3.7	6.6	0.0	1.6	1.5	▲ 2.6
Trend of Freight Index FY'08 1Q= 100	Asia-North America	100	105	101	103	102	98	96	97	93
	Asia-Europe	97	88	73	77	85	62	76	69	71
Lifting (10,000 TEU)	Asia-North America	18.4	21.2	19.9	17.1	76.6	19.4	21.0	40.5	19.8
	Asia-Europe	13.6	13.0	11.0	10.4	48.0	12.1	12.2	24.3	11.1
Capacity(10,000 TEU)	Asia-North America	19.1	21.9	20.6	19.6	81.3	21.4	23.1	44.4	20.6
	Asia-Europe	14.3	14.8	12.2	12.0	53.4	12.9	13.4	26.3	11.5
Utilization	Asia-North America	96%	97%	96%	88%	94%	91%	91%	91%	96%
	Asia-Europe	95%	88%	90%	86%	90%	94%	91%	93%	96%

B-2. Division-wise Trends

-Dry Bulk Business-

<13F3Q Accumulated Results> Y on Y Comparison: Revenue & Profit Increased

Capesize market picked up drastically due to recovery of cargo movement iron ore for China.

Market of Panamax and smaller size recovered as ship demand increased because of accelerate cargo movement of major cargo like coal and grain, etc.

<Focus for the Future>

- Economic trend of China
- Good market situation will continue at the moment.
- Further strengthen measures to improve profitability such as more efficient vessel deployment, operation cost reduction, etc.

Dry Bulk Market (*)	2012					2013				
	1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q	4Qest	FY
Cape(170type)	\$6,000	\$4,800	\$12,600	\$6,000	\$7,350	\$6,300	\$19,100	\$27,400	\$15,000	\$17,000
Panamax(74type)	\$10,000	\$6,600	\$6,600	\$7,100	\$7,575	\$7,760	\$8,940	\$14,300	\$11,000	\$10,500
Handy(53type)	\$11,000	\$10,300	\$7,600	\$8,100	\$9,250	\$9,320	\$9,770	\$14,200	\$9,300	\$10,600
Small(28type)	\$9,000	\$8,650	\$6,200	\$6,250	\$7,525	\$7,340	\$7,480	\$9,500	\$8,700	\$8,300

(*)4T/C Average

B-3. Division-wise Trends

-Car Carrier Business-

<13F3Q Accumulated Results> Y on Y Comparison: Revenue & Profit Increased

- Total units carried (including intra-Europe) : 2,499 thousand units (▲3% Y on Y)
- Improvement in operation efficiency and profitability due to streamlining service routes and cargo contract review, etc
- Strong cargo volume in Far East –Middle East, and Far East-Latin America

<Focus for the Future>

- Steady trends for market in North America and Middle East
- It seems that European economy has bottomed out
- Deceleration of growth in emerging countries such as China, India and Russia
- Cargo from Europe and North America to Far East and Trans-Atlantic are strong but export from Japan is not so strong

		2012					2013			
		1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q	Accumulated
Loading Results (1,000 units)	Outbound	301	276	258	259	1,095	264	265	288	816
	Homebound	84	78	89	58	309	86	76	86	247
	Others	309	288	322	262	1,180	310	289	279	878
	Intra-Europe	212	199	172	178	760	201	189	168	559
	Total	905	841	841	757	3,344	861	818	820	2,499
Number of Operating vessels		100	101	99	95	-	96	97	98	-

B-4. Division-wise Trends

-LNG Carrier and Oil Tanker-

<13F3Q Accumulated Results> Y on Y Comparison: Revenue Increased/Profit Returned to Black

【LNG】 Secured stable profit by long and middle term contracts under steady demand for LNG.

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

AFRAMAX tankers/Product tankers: Market is recovering gradually.

<Focus for the Future>

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

【Tankers】 Trying to improve earnings by efficient ship deployment and long and middle term contracts .

Tanker Market (WS)	2012					2013				
	1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q	4Qest	FY
VLCC (MEast / Jpn)	52	36	46	36	43	38	36	54	45	43
	\$24,000	\$3,000	\$19,000	\$12,000	\$14,500	\$15,000	\$14,100	\$40,500	\$26,700	\$24,100
Aframax (S.Asia / Jpn)	91	86	92	93	90	76	71	80	91	80
	\$8,400	\$8,700	\$11,800	\$13,500	\$10,400	\$9,400	\$8,000	\$12,000	\$16,500	\$11,500
Clean 70,000 type (MEast / Jpn)	91	101	115	88	99	84	92	82	85	86
	\$6,600	\$12,800	\$19,200	\$12,000	\$12,650	\$9,800	\$13,700	\$9,700	\$9,700	\$10,700

B-5. Division-wise Trends Offshore Energy E&P Support & Heavy Lifter Segment

【 Offshore Energy E&P Support 】

<13F3Q Accumulated Results> Y on Y Comparison: Revenue Increased/Profit Decreased

【Offshore Support Vessels】 Steady fleet operation, Profit decreased due to effect of exchange rate

【Drillship】 Started operation in FY2012. Stable profit contribution

<Focus for the Future>

【Offshore Support Vessels】 Aiming for stable profit due to long and middle term contracts

【Drillship】 Expecting profit contribution by steady operation

【 Heavy Lifters 】

<13F3Q Accumulated Results> Y on Y Comparison: Revenue Increased/Loss Shrunk

Despite market for heavy lifter was downturn, performance improved because of sellout old ship and diminishing of goodwill

<Focus for the Future>

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

-Trying to improve performance by increasing high profit offshore business and project cargo.