

# FINANCIAL HIGHLIGHTS

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[Two Year Summary]

	Year ended <b>Mar.31,2002</b>	Year ended Mar.31,2001	Year ended <b>Mar.31,2002</b>
<b>Consolidated</b>			
Operating revenues (Millions of yen / Thousands of U.S. dollars)	<b>¥571,014</b>	¥557,869	<b>\$4,285,281</b>
Operating income (Millions of yen / Thousands of U.S. dollars)	<b>19,049</b>	36,009	<b>142,954</b>
Net income (Millions of yen / Thousands of U.S. dollars)	<b>4,768</b>	1,948	<b>35,781</b>
Per share of common stock (Yen / U.S. dollars) (Par value ¥50 / US\$0.375 per share)	<b>8.03</b>	3.28	<b>0.06</b>
Total Assets (Millions of yen / Thousands of U.S. dollars)	<b>533,295</b>	513,797	<b>4,002,215</b>
Shareholders' Equity (Millions of yen / Thousands of U.S. dollars)	<b>77,716</b>	68,647	<b>583,236</b>
Per share of common stock (Yen / U.S. dollars) (Par value ¥50 / US\$0.375 per share)	<b>130.88</b>	115.61	<b>0.98</b>
Net cash provided by operating activities (Millions of yen / Thousands of U.S. dollars)	<b>33,060</b>	44,694	<b>248,108</b>
Net cash used in investing activities (Millions of yen / Thousands of U.S. dollars)	<b>(18,484)</b>	(4,882)	<b>(138,720)</b>
Net cash used in financing activities (Millions of yen / Thousands of U.S. dollars)	<b>(16,120)</b>	(46,868)	<b>(120,974)</b>
<b>Non-consolidated</b>			
Operating revenues (Millions of yen / Thousands of U.S. dollars)	<b>449,153</b>	424,021	<b>3,370,758</b>
Operating income (Millions of yen / Thousands of U.S. dollars)	<b>8,299</b>	24,444	<b>62,287</b>
Net income (Millions of yen / Thousands of U.S. dollars)	<b>2,787</b>	4,532	<b>20,912</b>
Per share of common stock (Yen / U.S. dollars) (Par value ¥50 / US\$0.375 per share)	<b>4.69</b>	7.63	<b>0.04</b>
Cash dividends (Millions of yen / Thousands of U.S. dollars)	<b>1,781</b>	2,969	<b>13,368</b>
Per share of common stock (Yen / U.S. dollars) (Par value ¥50 / US\$0.375 per share)	<b>3.00</b>	5.00	<b>0.02</b>
Total Assets (Millions of yen / Thousands of U.S. dollars)	<b>259,200</b>	241,295	<b>1,945,216</b>
Shareholders' Equity (Millions of yen / Thousands of U.S. dollars)	<b>64,409</b>	62,619	<b>483,368</b>
Per share of common stock (Yen / U.S. dollars) (Par value ¥50 / US\$0.375 per share)	<b>108.47</b>	105.45	<b>0.81</b>

The U.S. dollar amounts are converted from the yen amount at ¥133.25=U.S.\$1.00, The exchange rate prevailing on March 31st, 2002

## Message from the Management

### 1. Management Policies

#### **1) Fundamental Management Policies**

The following fundamental management policies are summarized herein in order to clarify the significance of the business domain of the entire “K” LINE group and how their pursuit is being carried out in actual practice.

As a global total logistics company centering on shipping, “K” LINE and its entire group of companies are committed to contributing to the well-being of humanity throughout the world by constantly pursuing the upgrade of its customer services, through determined efforts for safety in navigation/cargo operations and a commitment to environmental preservation, with every assignment to be carried out at all times consistent with those objectives and in compliance with a “creative and challenging spirit.”

#### **2) Policy for Payment of Dividends**

The Company’s fundamental policy is payment of dividends depending upon the level of profit actually achieved, and any decision related to dividend payments should be made from both medium- and long-term viewpoints. In that regard, comprehensive and deep consideration should be given to:

- a) Reinforcement of corporate structure against the intensifying competition with which the ocean-going shipping and other related industries are being confronted
- b) Increase retained earnings in anticipation of the evolution of future business
- c) Continuous payment of dividends

#### **3) Management Strategy on Medium- and Long-term Basis**

Together with all other “K” LINE group companies, we have been constantly exerting diligent efforts to accomplish the goals set forth in New “K” LINE Spirit for 21 (New K-21) which started in April 1998. With a view to the dramatic changes in management circumstances, however, it was determined to complete that management plan one year before schedule, and to move forward to a new management plan “KV-Plan” effective from April 2002.

In this new management plan, fundamental assignments are itemized as follows:

- a) Further strengthening of the Company’s basic structure through cost reductions and effective use of IT, etc.
- b) Enhancement of globalization closely connected to local community and pursuit of

synergy between the various business sectors.

- c) Redoubling efforts for logistics business
- d) Pursuit of technical innovations in marine transport, perfection in safety of ship navigation/cargo operations and commitment to environmental preservation
- e) Strengthening corporate governance aiming at more transparency and effectiveness in management

#### **4) Management Goals (Numerical Targets of Management)**

The numerical targets we would like to reach as of March 31, 2005 when “KV-Plan” will be completed are:

(on a consolidated basis and in parentheses a non-consolidated basis)

Operating revenues ¥650 billion (¥500 billion)

Ordinary income ¥35 billion (¥24 billion)

Ratio of shareholders' equity over assets 22% (33%)

ROE 19% (17%)

Liabilities bearing interest ¥275 billion (¥90 billion)

#### **5) Measures for Building Best Possible Corporate Governance**

In view of reinforcement of corporate governance being requested, we will try our best to reform management structure with the global standards of management in our single-minded determination, securing transparency and fairness of management and practicing speedier decision-making. More specifically, we will always perform within the Company's Standards of Ethics that was established last year, and we are actively and simultaneously in the midst of raising people's consciousness of “Compliance.”

Further, along the amendments to the Commercial Code of Japan that became effective last year, we increased the percentage of Outside Corporate Auditors in the Corporate Auditors Committee. We are also working on reforming an organization for oversight on management.

We are also going to examine adoption of a Stock Option Program as a result of part of the above amendments to the Commercial Code of Japan.

In the meantime, to enhance our IR activities, we established an IR Division effective from January 1, 2002. It is performing as a gateway and a dependable supporting body to everyone in relationship to IR practices. We are determined to make constant efforts to upgrade communication with investors in both quality and frequency.

#### **6) Assignments to which the Company Is Committed**

It is prospected that a general picture of the future global economy still remains very

opaque and its fierceness is expected to linger for some time to come. In terms of management circumstances surrounding the Company, issues related to imbalance of supply/demand in containerships, a primary cause for the huge drop in container freight rates, are unlikely to recover in a short time. In the meantime, we are faced with other imminent issues, i.e., coping with a rapidly changing economic structure that can be observed in the fast-moving IT revolution as well as in globalization, etc.

In strengthening of the Company's basic structure, we will focus on recovery of containership business as a top assignment. We have begun staging an all-group-level campaign for cost curtailment under the name of Cost Slash-300 (abbreviated "CS-300"). In comparison with Fiscal 2001, our target is to accomplish cost curtailment in the amount of ¥30 billion during the next 3 years in order to make our future profitability more concrete for stable payment of dividends firmly shielded from any unfavorable influence of future changes to management circumstances.

## **2. Results of Business Operations and Financial Status**

### **1) Overview of business operations during Fiscal 2001**

The global economy in general is outlined as follows:

The U.S. economy saw a series of minus factors to its economy, i.e., while the economic recession was ongoing due to the bust of IT bubbles, the September 11 terrorist attacks in the U.S. struck a further blow to the economy. A combination of those factors rapidly pulled the economy down starting from the second half of Fiscal 2001.

European economies were significantly influenced by the above factors and as time passed, general sentiment about stalling of these economies became even stronger.

The Asian economies, except for China, also underwent a low-key state simply because of high dependence upon exports to the U.S. and Europe.

The Japanese economy continued to worsen due to a reduction in exports and IT-related investments, in addition to the lowering level of individual consumption.

Under the above general circumstances, the Company, at the level of the entire "K" LINE group, made endeavors for business promotion consistent with "K" LINE Spirit for 21 (New K-21). As a result, we could increase consolidated operating revenues by 2.4% to ¥571.013 billion (¥557.869 billion in previous year). Consolidated ordinary income dropped by 55.3% to ¥11.968 billion (¥26.804 billion in previous year), attributable to the remarkable fall in freight rates on the major containership service routes.

After adjustment of special accounts of profit/loss and deductions of corporate income tax, residents' tax and enterprise tax, consolidated net income increased by 144.8% to ¥4.767 billion (¥1.948 billion in previous year).

## **Business Activities by Segment**

### **A) Marine Transportation Segment**

#### **<Containership Business>**

In the Asia/North America service, in addition to the depressed economy resulting mainly from the turndown in the IT industry, the September 11 terrorist attacks in the U.S. took place. Eventually, cargo volume saw a more-than-prospected decline and freight rates also dropped steeply due to a widening imbalance between supply and demand.

In the Asia/Europe service, cargo movement also stalled due to the indirect influence of the depressed U.S. economy and the IT recession. Furthermore, in such a fierce situation, rival companies rushed to input newbuildings into the market and to start new services. All these factors contributed to drive freight rates downward on a large scale.

To cope with the difficult times, we carried out every possible measure for further reduction in every cost item such as container-related costs, and redelivery of chartered-in ships by completion of new 5,500-teu containerships, etc.

From January 2002 through March 2002, we reduced one sailing on a weekly basis on the Asia/Europe service in cooperation with our alliance partners. This effort was aimed at improvement in supply/demand imbalance. In the meantime, from December 2001 on the Asia/North America service line, we started an exchange of slots with Hanjin/Senator Group who joined the alliance in addition to COSCON and Yang Ming Line. We realized cost reductions by cutting the number of ports of call.

The overall bottom line is:

Operating revenues resulted better than the previous year, attributable in part to the cheaper yen. However, operating income fell significantly under the previous year due to a decline in ocean freight rates during the 2nd half despite our efforts for cost reductions and rationalization.

#### **<Bulk Carrier and Car Carrier Business>**

Regarding bulk carrier services, the market rapidly became soft during the 1st half and has proceeded to be low-key since June 2001 as a result of demands for marine

transportation of iron ore and coal decreasing due to the slowdown in the global economy. During the 2nd half, signs of a recovery in the U.S. and other major nations began to surface from last January. The decline in the markets for large-sized bulkers and Panamax-sized ships stopped and turned somewhat upward.

Under such fierce market conditions in general, we were successful in accomplishing better results owing to our efforts over the past few years for reinforcement of a more competitive fleet with greater ship operation efficiency.

Regarding Car carriers, export of cars from Japan was on the decrease due to Japanese makers expanding their overseas production. However, we were able to maintain the previous year's number of completed cars transported from Japan owing to favorable car sales in North America and steady exports to the Middle and Near East. We could enjoy an increase in cars transported from Thailand to Europe, the Middle East and Australia, and from Europe to the U.S.A. and Mexico, with the overall total of cars transported showing an increase in comparison with the previous year.

Efforts were steadily carried out for improvement in quality of transportation through reinforcement of the fleet by the addition of 6 new high-quality car carriers and subsequent replacement of older ships, with further cost reductions being realized in pursuit of improvement in efficiency of ship operations.

In addition to the above, we could see favorable effects from the cheaper Japanese Yen. The bottom line ended up with operating revenues increasing over the previous year and stable operating income achieved.

#### <Energy Transportation and Tanker Services>

LNG Carriers: Our fleet numbering 22 ships performed as expected, acquiring stable operating revenues.

Thermal Coal Carriers: In marine transportation of steaming coal destined to power companies, the 10-ship fleet performed very well, that fleet including 2 dedicated ships and 6 wider and shallower-draft bulkers (Corona type) particularly designed for transportation of steaming coal. In addition to the 10 ships, 1 dedicated ship joined the fleet during Fiscal 2001. In the end, we could transport some 9 million tons, successfully continuing to expand our business scale.

Tankers: The market declined during the 2nd half due to a drop in cargo movement caused by the depressed global economy and reduced production by OPEC. Efforts were carried out for an increase in the fleet of Aframax-type tankers and for efficient ship operations, in addition to employment of two double-hulled VLCCs into service. In the

final analysis, however, the bottom line fell below that of the previous year. But overall operating revenues of this sector showed better results than last year, maintaining stable achievement.

#### <Coastal Shipping>

Tramp Business was favored by stable tonnage of limestone for steel mills although all high-furnace makers contracted their production.

In the meantime, limestone carriers for cement makers encountered a low-key situation. Liner Business experienced a stable cargo volume in terms of specialized carriers for paper-in-rolls. In July 2001, a newbuilding named "Yuou Maru" was put into service so that we could successfully accomplish a daily service between Hitachi-Naka and Tomakomai. In Ferry Business, the services between both Hachinohe/Tomakomai and Tokyo/Tomakomai were at low-key levels due to decline of general cargoes in reaction to Japan's dull economic condition. As a result, the bottom line ended with great severity due to the general downturn in cargo movement.

The final bottom line of Marine Transportation on the whole is:

Operating revenues ¥481.2 billion (5.7% increase over the previous year),

Operating income ¥ 13.148 billion (56.1% decrease below the previous year).

#### **B) Services Incidental to Transportation**

As the main subsidiaries in Japan shortened their fiscal year ending December 2001, consolidated operating revenues amounted to ¥75.757 billion (15.4% decrease below the previous year) while operating income resulted in ¥4.536 billion (7.1% decrease below the previous year).

#### **C) Others**

Land transportation business and other business not mentioned in the above reached ¥14.055 billion (8.5% increase below previous year) in consolidated operating revenues and ¥1.274 billion (17.5% increase over the previous year) in operating income.

### **2) Review of Financial Status for Fiscal 2001**

Cash and cash equivalents at the end of Fiscal 2001 increased ¥0.215 billion into ¥20.681 billion. Cash flows are summarized as follows:

Cash flow from operating activities resulted in plus ¥33.06 billion from net income as of March 31, 2002 prior to adjustment for taxes, etc. and depreciation/amortization.

Cash flow from investing activities resulted in minus ¥18.484 billion after purchase of fixed assets.

Cash flow from financing activities resulted in minus ¥16.119 billion from repayment of loans and obligations under finance leases.

### **3) Outlook for Fiscal 2002**

#### **<Containership Business>**

It is anticipated that the minus effects of the huge decrease in freight levels during Fiscal 2001 will significantly still remain in Fiscal 2002. We are firmly determined to uphold profitability with an all-out campaign for improvement in container business profitability named "Challenge100".

When it comes to service itself, we would like to report that in anticipation of all 13 of the 5,500-teu newbuildings with their top level cost competitiveness entering service, we are constructing a joint service on the Europe/Asia/North America trade mainly in cooperation with Yang Ming Line. In particular, efforts are expected to focus on our China-related service that is showing remarkable progress. We are in the midst of determined efforts in the expansion of service networks with Hanjin Shipping who takes part in our consortium/alliance together with COSCO and Yang Ming Line.

#### **<Bulk Carriers>**

We will continue with rearrangements for a more cost-competitive fleet in pursuit of the most efficient operations possible.

#### **<Car Carriers>**

Recognizing that trend of exports from Japan continues to go down, we are challenging the following assignments:

- a) Expansion of market participation in Atlantic services between Europe and U.S.A.
- b) Strengthening of maritime transportation service within Intra-Asia and from Asia
- c) Exploration of new market in the Indian Ocean Rim
- d) Securing stable profit through more efficient operations and cost reductions

#### **<Energy resources transportation service>**

We will continue endeavoring to expand our business scale.

#### **<Coastal Shipping>**

In domestic and ferry services, a roll-on/roll-off newbuilding is expected to enter service in October 2002 to replace Honshu Maru. With this new ship, we are planning on a tie-up with another company to forge a new joint operation system.

#### **<Services incidental to transportation>**

In a structural combination between logistical know-how accumulated in domestic/



overseas subsidiaries and business assets, we will devote passion and utmost efforts towards establishment of a total logistic service that will be able to meet customer needs.

In the KV-Plan, we will be staging an all-group-level cost curtailment campaign dubbed “Cost Slash-300” to realize a ¥20-billion cost reduction in the first year out of a total ¥30 billion during the next 3 years.

In this manner, we would like to forecast that on a consolidated basis, operating revenues will amount to ¥600 billion, ordinary income ¥14.5 billion and net income ¥9 billion. These figures are based on an exchange rate of ¥130 per U.S.\$ and bunker price of U.S.\$140 per ton which reflect current prospects for both figures.

In terms of cash flow during Fiscal 2002, total cash flow from operating activities will reach about plus ¥41 billion due to improvement in achievement. Total cash flow from investment activities will amount to about minus ¥23 billion in anticipation of about ¥20 billion investment in ships, including a new 100,000-dwt tanker to be completed in September 2002, etc., and other investments. Total cash flow from financing activities will be about minus ¥18 billion centering on repayment of loans/obligations related to investments.

In the aggregate, cash and cash equivalents will reach approximately the same amount as at the close of Fiscal 2001.

We anticipate payment of an annual dividend of ¥4.00 per share.

# Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the years ended March 31, 2001 and 2002

## ASSETS

(Millions of Yen / Thousands of U.S.Dollars)

	Year ended <b>Mar.31,2002</b>	Year ended Mar.31,2001	Year ended <b>Mar.31,2002</b>
Current assets :			
Cash and time deposits	<b>¥20,926</b>	¥20,003	<b>\$157,046</b>
Marketable securities	<b>87</b>	822	<b>656</b>
Accounts and notes receivable - trade	<b>63,086</b>	58,649	<b>473,437</b>
Allowance for doubtful receivables	<b>(669)</b>	(473)	<b>(5,020)</b>
Fuel and supplies	<b>7,240</b>	7,169	<b>54,331</b>
Prepaid expenses and deferred charges	<b>15,289</b>	14,688	<b>114,741</b>
Deferred income taxes	<b>2,480</b>	1,721	<b>18,611</b>
Other current assets	<b>16,629</b>	14,954	<b>124,793</b>
<b>Total current assets</b>	<b>125,068</b>	117,533	<b>938,595</b>
Investments and long-term receivables :			
Investments in and advances to unconsolidated subsidiaries and affiliates	<b>10,268</b>	8,414	<b>77,056</b>
Investments in other securities	<b>57,052</b>	58,820	<b>428,154</b>
Long-term loans receivable	<b>2,791</b>	2,715	<b>20,951</b>
Other investments	<b>16,312</b>	15,680	<b>122,418</b>
Deferred income taxes	<b>7,655</b>	6,400	<b>57,447</b>
Allowance for doubtful receivables	<b>(621)</b>	(486)	<b>(4,662)</b>
<b>Total investments and long-term receivables</b>	<b>93,457</b>	91,543	<b>701,364</b>
Vessels, property and equipment :			
Vessels	<b>461,359</b>	447,932	<b>3,462,353</b>
Buildings and equipment	<b>97,537</b>	92,845	<b>731,985</b>
Accumulated depreciation	<b>(295,649)</b>	(277,711)	<b>(2,218,754)</b>
	<b>263,247</b>	263,066	<b>1,975,584</b>
Land	<b>36,243</b>	30,948	<b>271,993</b>
Construction in progress	<b>9,588</b>	6,964	<b>71,956</b>
<b>Vessels, property and equipment net</b>	<b>309,078</b>	300,978	<b>2,319,533</b>
Other assets	<b>5,692</b>	3,743	<b>42,723</b>
<b>Total assets</b>	<b>¥533,295</b>	¥513,797	<b>\$4,002,215</b>

# Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the years ended March 31, 2001 and 2002

## LIABILITIES AND SHAREHOLDERS' EQUITY

(Millions of Yen / Thousands of U.S.Dollars)

	Year ended <b>Mar.31,2002</b>	Year ended Mar.31,2001	Year ended <b>Mar.31,2002</b>
Current liabilities :			
Short-term loans	¥41,477	¥42,005	\$311,275
Current portion of long-term debt	56,169	41,116	421,532
Accounts and notes payable – trade	57,185	47,351	429,155
Deferred income	13,975	12,479	104,878
Current portion of obligations under finance leases	3,227	6,287	24,217
Other current liabilities	10,483	16,532	78,669
<b>Total current liabilities</b>	<b>182,516</b>	<b>165,770</b>	<b>1,369,726</b>
Long-term liabilities :			
Long-term debt, less current portion	216,128	221,854	1,621,975
Allowance for employees' retirement benefits	16,094	18,434	120,778
Allowance for directors' and statutory auditors' retirement benefits	2,092	2,194	15,702
Accrued expenses for overhaul of vessels	4,482	3,502	33,638
Obligations under finance leases	18,621	20,222	139,743
Deferred income taxes	3,191	890	23,946
Other long-term liabilities	5,246	5,772	39,371
<b>Total long-term liabilities</b>	<b>265,854</b>	<b>272,868</b>	<b>1,995,153</b>
Minority interests in consolidated subsidiaries	7,209	6,512	54,100
Shareholders' equity :			
Common stock, ¥50 par value :			
Authorized 1,080,000,000 shares			
Issued 593,796,875 shares	29,690	29,690	222,813
Capital surplus	14,535	14,535	109,079
Retained earnings	31,200	29,539	234,143
Revaluation reserve for land	4,811	—	36,110
Unrealized holding gains or losses on investment securities	(93)	1,158	(696)
Translation adjustments	(2,424)	(6,275)	(18,188)
	77,719	68,647	583,261
Treasury stock, at cost	(3)	(0)	(25)
<b>Total Shareholders' equity</b>	<b>77,716</b>	<b>68,647</b>	<b>583,236</b>
<b>Total Liabilities and shareholders' equity</b>	<b>¥533,295</b>	<b>¥513,797</b>	<b>\$4,002,215</b>

# Consolidated Statements of Income and Retained Earnings

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the years ended March 31, 2001 and 2002

(Millions of Yen / Thousands of U.S.Dollars)

	<b>Year ended Mar.31,2002</b>	Year ended Mar.31,2001	<b>Year ended Mar.31,2002</b>
Operating revenues :			
Freight and charter of vessels	<b>¥493,832</b>	¥464,342	<b>\$3,706,060</b>
Operating revenues other than shipping	<b>77,182</b>	93,527	<b>579,221</b>
Total operating revenues	<b>571,014</b>	557,869	<b>4,285,281</b>
Operating expenses :			
Expenses, other than depreciation, for vessels	<b>382,667</b>	342,189	<b>2,871,797</b>
Depreciation of vessels	<b>27,356</b>	27,825	<b>205,298</b>
Cost of operating revenues	<b>92,740</b>	103,351	<b>695,982</b>
Selling, general and administrative expenses	<b>49,202</b>	48,495	<b>369,250</b>
Total operating expenses	<b>551,965</b>	521,860	<b>4,142,327</b>
Operating income	<b>19,049</b>	36,009	<b>142,954</b>
Other income (expense):			
Interest and dividends income	<b>1,464</b>	1,992	<b>10,984</b>
Interest expenses	<b>(9,478)</b>	(12,240)	<b>(71,127)</b>
Others, net	<b>(2,787)</b>	(23,154)	<b>(20,914)</b>
Total other income (expense)	<b>(10,801)</b>	(33,402)	<b>(81,057)</b>
Income before income taxes	<b>8,248</b>	2,607	<b>61,897</b>
Income taxes current	<b>3,985</b>	8,626	<b>29,907</b>
deferred	<b>(1,090)</b>	(8,348)	<b>(8,187)</b>
Total income taxes	<b>2,895</b>	278	<b>21,720</b>
Minority interest	<b>585</b>	381	<b>4,396</b>
Net income	<b>4,768</b>	1,948	<b>35,781</b>
Retained earnings at beginning of the year	<b>29,539</b>	30,085	<b>221,687</b>
Adjustments to retained earnings at beginning of the year for inclusion in or exclusion from consolidation	<b>6</b>	5	<b>42</b>
Cash dividends	<b>(2,969)</b>	(2,372)	<b>(22,281)</b>
Bonuses to directors and statutory auditors	<b>(144)</b>	(127)	<b>(1,086)</b>
Retained earnings at end of the year	<b>¥31,200</b>	¥29,539	<b>\$234,143</b>

# Consolidated Statements of Cash Flows

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the years ended March 31, 2001 and 2002

(Millions of Yen/Thousands of U.S.Dollars)

	Year ended Mar.31,2002	Year ended Mar.31,2001	Year ended Mar.31,2002
Cash flows from operating activities :			
Income before income taxes	¥8,248	¥2,607	\$61,897
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Provision for employees' retirement benefits	(2,349)	9,154	(17,632)
Accrued expenses for overhaul of vessels	933	1,378	7,000
Provision for directors' and statutory auditors' retirement benefits	(136)	2,194	(1,022)
Depreciation and amortization	33,274	33,550	249,709
Interest and dividend income	(1,464)	(1,992)	(10,984)
Interest expenses	9,478	12,240	71,130
Increase in accounts and notes receivable – trade	(2,584)	(9,907)	(19,388)
(Increase) decrease in inventories	14	(658)	107
Increase in investments and other assets	(2,278)	(297)	(17,096)
Increase in accounts and notes payable – trade	7,362	4,024	55,251
Net (gain) loss on foreign exchange	(459)	574	(3,442)
Loss on sale of marketable and investment securities	1,329	2,033	9,975
Gain on sale of vessels, property, and equipment	(3,623)	(677)	(27,193)
Loss on sale of vessels, property, and equipment	4,133	4,712	31,018
Others, net	(793)	1,542	(5,956)
Sub-total	51,085	60,477	383,374
Interest and dividends received	1,142	2,119	8,571
Interest paid	(9,987)	(12,218)	(74,942)
Income taxes paid	(9,180)	(5,684)	(68,895)
Net cash provided by operating activities	33,060	44,694	248,108
Cash flows from investing activities :			
Purchases of securities and other investments	(36,600)	(11,890)	(274,675)
Gain on sale of marketable and investment securities	35,636	14,016	267,437
Investment on subsidiaries with newly inclusion in consolidation	(146)	—	(1,097)
Purchases of vessels, property and equipment	(47,566)	(40,395)	(356,971)
Proceeds from sale of vessels, property and equipment	31,794	32,472	238,603
Expenditures for intangible fixed assets	(2,982)	(329)	(22,377)
Others, net	1,380	1,244	10,360
Net cash used in investing activities	(18,484)	(4,882)	(138,720)
Cash flows from financing activities :			
Proceeds from issuance of bonds	—	10,928	—
Proceeds from loans	69,966	77,872	525,076
Repayment of loans and obligations under finance leases	(76,027)	(118,381)	(570,556)
Repayment of bonds	(7,000)	(15,000)	(52,533)
Cash dividends paid	(2,967)	(2,357)	(22,266)
Cash dividends paid by subsidiaries to minority shareholders	(89)	(89)	(672)
Others, net	(3)	159	(23)
Net cash used in financing activities	(16,120)	(46,868)	(120,974)
Effect of exchange rate changes on cash and cash equivalents	1,040	1,254	7,803
Net decrease in cash and cash equivalents	(504)	(5,802)	(3,783)
Cash and cash equivalents at beginning of the year	20,467	25,968	153,598
Increase in cash and cash equivalents arising from inclusion of subsidiaries in consolidation	719	301	5,395
Cash and cash equivalents at end of the year	20,682	20,467	155,210

## Non-Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. for the years ended March 31, 2001 and 2002

### ASSETS

(Millions of Yen/Thousands of U.S.Dollars)

	<b>Year ended Mar.31,2002</b>	Year ended Mar.31,2001	<b>Year ended Mar.31,2002</b>
<b>Current assets :</b>			
Cash and time deposits	<b>¥7,930</b>	¥8,778	<b>\$59,509</b>
Accounts and notes receivable — trade	<b>40,657</b>	35,207	<b>305,116</b>
Allowance for doubtful receivables	<b>(2,417)</b>	(50)	<b>(18,139)</b>
Fuel and supplies	<b>5,792</b>	5,750	<b>43,464</b>
Prepaid expenses and deferred charges	<b>15,526</b>	14,945	<b>116,521</b>
Other current assets	<b>9,194</b>	3,821	<b>69,001</b>
<b>Total current assets</b>	<b>76,682</b>	68,451	<b>575,472</b>
<b>Investments and long-term receivables :</b>			
Investments in and advances to subsidiaries and affiliates	<b>36,110</b>	36,416	<b>270,999</b>
Investments in other securities	<b>48,644</b>	47,921	<b>365,060</b>
Long-term loans receivable	<b>2,115</b>	2,266	<b>15,870</b>
Other investments	<b>5,265</b>	5,600	<b>39,510</b>
Allowance for doubtful receivables	<b>(317)</b>	(331)	<b>(2,376)</b>
<b>Total investments and long-term receivables</b>	<b>91,817</b>	91,872	<b>689,063</b>
<b>Vessels, property and equipment :</b>			
Vessels	<b>154,514</b>	156,813	<b>1,159,582</b>
Buildings and equipment	<b>12,668</b>	12,708	<b>95,070</b>
Accumulated depreciation	<b>(108,190)</b>	(111,343)	<b>(811,934)</b>
	<b>58,992</b>	58,178	<b>442,718</b>
Land	<b>23,503</b>	18,520	<b>176,380</b>
Construction in progress	<b>331</b>	25	<b>2,484</b>
<b>Vessels, property and equipment, net</b>	<b>82,826</b>	76,723	<b>621,582</b>
<b>Other assets</b>	<b>7,875</b>	4,249	<b>59,099</b>
<b>Total assets</b>	<b>¥259,200</b>	¥241,295	<b>\$1,945,216</b>

## Non-Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. for the years ended March 31, 2001 and 2002

### LIABILITIES AND SHAREHOLDERS' EQUITY

(Millions of Yen/Thousands of U.S.Dollars)

	<b>Year ended Mar. 31, 2002</b>	Year ended Mar. 31, 2001	<b>Year ended Mar. 31, 2002</b>
<b>Current liabilities :</b>			
Short-term loans	<b>¥7,037</b>	¥9,212	<b>\$52,811</b>
Current portion of long-term debt	<b>28,408</b>	22,565	<b>213,195</b>
Accounts and notes payable – trade	<b>44,555</b>	31,358	<b>334,371</b>
Deferred income	<b>10,772</b>	11,562	<b>80,840</b>
Other current liabilities	<b>11,212</b>	9,417	<b>84,143</b>
<b>Total current liabilities</b>	<b>101,984</b>	84,114	<b>765,360</b>
<b>Long-term liabilities :</b>			
Long-term debt, less current portion	<b>83,432</b>	85,889	<b>626,132</b>
Allowance for employees' retirement benefits	<b>4,011</b>	6,433	<b>30,100</b>
Allowance for directors' and statutory auditors' retirement benefits	<b>1,344</b>	1,053	<b>10,083</b>
Accrued expenses for overhaul of vessels	<b>1,685</b>	1,187	<b>12,647</b>
Deferred income taxes for land revaluation	<b>1,822</b>	—	<b>13,674</b>
Other long-term liabilities	<b>513</b>	—	<b>3,852</b>
<b>Total long-term liabilities</b>	<b>92,807</b>	94,562	<b>696,488</b>
<b>Shareholders' equity :</b>			
Common stock, ¥50 par value :			
Authorized 1,080,000,000 shares			
Issued 593,796,875 shares	<b>29,690</b>	29,690	<b>222,813</b>
Capital surplus	<b>14,535</b>	14,535	<b>109,079</b>
Legal reserve	<b>2,540</b>	2,236	<b>19,064</b>
Revaluation reserve for land	<b>2,973</b>	—	<b>22,310</b>
Special reserve	<b>9,641</b>	7,629	<b>72,355</b>
Retained earnings	<b>4,413</b>	6,982	<b>33,122</b>
Unrealized holding gains (losses) on investment securities	<b>620</b>	1,547	<b>4,650</b>
Less : treasury stock, at cost	<b>(3)</b>	—	<b>(25)</b>
<b>Total shareholders' equity</b>	<b>64,409</b>	62,619	<b>483,368</b>
<b>Total liabilities and shareholders' equity</b>	<b>¥259,200</b>	¥241,295	<b>\$1,945,216</b>

## Non-Consolidated Statements of Income

Kawasaki Kisen Kaisha, Ltd. for the years ended March 31, 2001 and 2002

(Millions of Yen/Thousands of U.S.Dollars)

	<b>Year ended Mar. 31, 2002</b>	Year ended Mar. 31, 2001	<b>Year ended Mar. 31, 2002</b>
Operating revenues :			
Freight and charter of vessels	<b>¥448,354</b>	¥423,564	<b>\$3,364,759</b>
Other revenues	<b>799</b>	457	<b>5,999</b>
Total operating revenues	<b>449,153</b>	424,021	<b>3,370,758</b>
Operating expenses :			
Expenses, other than depreciation, for vessels	<b>419,746</b>	379,018	<b>3,150,065</b>
Depreciation of vessels	<b>6,120</b>	6,690	<b>45,927</b>
Selling, general and administrative expenses	<b>14,447</b>	13,461	<b>108,421</b>
Other expenses	<b>541</b>	408	<b>4,058</b>
Total operating expenses	<b>440,854</b>	399,577	<b>3,308,471</b>
Operating income	<b>8,299</b>	24,444	<b>62,287</b>
Other income (expense) :			
Interest and dividend income	<b>3,363</b>	1,939	<b>25,236</b>
Interest expense	<b>(3,992)</b>	(4,539)	<b>(29,960)</b>
Others, net	<b>(3,359)</b>	(14,904)	<b>(25,210)</b>
Total other income (expense)	<b>(3,988)</b>	(17,504)	<b>(29,934)</b>
Income before income taxes	<b>4,311</b>	6,940	<b>32,353</b>
Income taxes	<b>1,524</b>	2,408	<b>11,441</b>
Net income	<b>¥2,787</b>	¥4,532	<b>\$20,912</b>



## Non-Consolidated Proposed Appropriation of Retained Earnings

Kawasaki Kisen Kaisha, Ltd. for the years ended March 31, 2001 and 2002

(Millions of Yen/Thousands of U.S.Dollars)

	<b>Year ended Mar. 31, 2002</b>	Year ended Mar. 31, 2001	<b>Year ended Mar. 31, 2002</b>
Net income	<b>¥2,787</b>	¥4,532	<b>\$20,912</b>
Retained earnings at beginning of the year	<b>1,626</b>	2,450	<b>12,210</b>
Unappropriated retained earnings at March 31	<b>4,413</b>	6,982	<b>33,122</b>
Reversal of special reserve	<b>1,128</b>	1,014	<b>8,468</b>
Transfer to legal reserve	—	(304)	—
Cash dividends	<b>(1,781)</b>	(2,969)	<b>(13,368)</b>
Bonus to Directors	<b>(50)</b>	(70)	<b>(375)</b>
Transfer to special reserve	<b>(3,337)</b>	(3,027)	<b>(25,046)</b>
Retained earnings at end of the year	<b>¥373</b>	¥1,626	<b>\$2,801</b>

### Accounting for Revaluation Reserve for Land

During the year ended March 31, 2002, the Company and certain group companies revalued land used in their business in accordance with the Land Revaluation Law (Law No. 34, March 31, 1999) and the Law to Partially Revise the Land Revaluation Law (Law No. 19, March 31, 2001). The effect of this revaluation was to increase shareholders' equity by ¥4,811 million (US\$ 36,110 thousand). This amount has been reflected as "revaluation reserve for land" as a component of shareholders' equity.

## [Change of Board Members]

### 1. Newly Appointed Candidates for Directorship

(name)	(new position)	(current position)
Shimizu Toshio	Director	General Manager of Containerships Business Group
Shigenori Ishii	Director	General Manager of Thermal Coal Group
Yoshiyuki Ohta	Director	General Manager of Bulk Carrier Planning & Co-ordination Group and Bulk Carrier Group
Hisashi Yasui	Director	General Manager of LNG Group
Toshinori Morita	Director	General Manager of Car Carrier Planning & Co-ordination Group and Car Carrier Group No. 2

### 2. Board Members to Resign

(name)	(current position)	(planned post-retirement assignment)
Zenzaburo Wakabayashi	Executive Vice President	Special Executive Advisor and President of “K” Line Logistics Holding, Inc.
Seiji Nagasawa	Senior Managing Director	Special Executive Advisor
Goro Mera	Managing Director	Managing Director of Hokkai Unyu Co., Ltd. Managing Director of Naigai Unyu Co., Ltd. and Managing Director of Shinto Transportation Co., Ltd.
Eiichi Suzuki	Managing Director	Managing Director of Shinto Transportation Co., Ltd.
Michio Oka	Managing Director	President of Kawaki Kosan Kaisha, Ltd. and President of “K” Line Accounting and Finance Co., Ltd.
Ken Fujita	Director	President of “K” Logistics Corporation

### 3. Corporate Auditor to Resign

(name)	(current position)	(planned post-retirement assignment)
Masayuki Nakayama	Auditor	President of Japan Express Transportation Co., Ltd.

### 4. Directors Promoted

(name)	(new position)	(current position)
Hiroyuki Maekawa	Senior Managing Director	Managing Director
Isao Akiba	Senior Managing Director	Managing Director
Nobuya Kamisaka	Managing Director	Director
Tetsuo Shiota	Managing Director	Director
Katsue Yoshida	Managing Director	Director
Satoru Kuboshima	Managing Director	Director
Yoichi Hasegawa	Managing Director	Director

Board of Directors and Corporate Auditors as of June 27, 2002

(title)	(name)	(responsibilities)
Chairman	Isao Shintani*	
President	Yasuhide Sakinaga*	
Senior Managing Director	Takefumi Araki*	Bulk Carrier sector and Energy Transport sector
Senior Managing Director	Hiroyuki Maekawa*	Car Carrier sector
Senior Managing Director	Isao Akiba*	Container Transportation sector
Managing Director	Nagato Keisuke	Marine sector
Managing Director	Yoshio Iinuma	Overall Management of North American Business and President & CEO of "K" Line America, Inc.
Managing Director	Nobuya Kamisaka	Containerships Sales sector, Nagoya Branch and Osaka Branch
Managing Director	Tetsuo Shiota	Corporate Planning, Finance, Accounting and IR
Managing Director	Katsue Yoshida	Energy Transport sector
Managing Director	Satoru Kuboshima	Information System and Total Logistics business
Managing Director	Yoichi Hasegawa	General Affairs & Human Resources and Information & Public Relations
Director	Fumito Kawamata	CEO of "K" Line (Europe) Limited
Director	Norio Tsutsumi	Ship Planning and Environmental management
Director	Shigeru Soda	Coal & Iron Ore Carrier
Director	Toshio Shimizu	Containerships Business sector and Port Business
Director	Shigenori Ishii	Assistant to the Managing Director of Energy Transport and General Manager of Thermal Coal Group
Director	Yoshiyuki Ohta	Bulk Carrier, General Manager of Bulk Carrier Planning & Co-ordination Group and Bulk Carrier Group
Director	Hisashi Yasui	Assistant to the Managing Director of Energy Transport and General Manager of LNG Group
Director	Toshinori Morita	Car Carrier sector, General Manager of Car Carrier Planning Group and Car Carrier Group No. 2

\* Marked Directors represent the Company.

(New assignment subject to approval at the Ordinary General Meeting of Shareholders and the following Board Meeting on June 27, 2002.)