

## FINANCIAL HIGHLIGHTS

Interim brief report of the first half of fiscal year ending March 31, 2007.

[Two Year Summary]

	Six Months ended Sep.30,2006	Six Months ended Sep.30,2005	Six Months ended Sep.30,2006	Year ended Mar.31,2006
Consolidated				
Operating revenues (Millions of yen / Thousands of U.S. dollars)	¥ 518,028	¥ 454,764	\$ 4,393,794	¥ 940,818
Operating income (Millions of yen / Thousands of U.S. dollars)	23,502	50,167	199,345	87,976
Net income (Millions of yen / Thousands of U.S. dollars)	20,555	34,885	174,345	62,423
Per share of common stock (Yen / U.S. dollars)	34.75	58.97	0.29	104.89
Total Assets (Millions of yen / Thousands of U.S. dollars)	824,262	709,806	6,991,203	757,040
Shareholders' Equity (Millions of yen / Thousands of U.S. dollars)	297,441	224,575	2,522,828	257,809
Per share of common stock (Yen / U.S. dollars)	482.50	379.16	4.09	435.19
Non-consolidated				
Operating revenues (Millions of yen / Thousands of U.S. dollars)	409,995	362,924	3,477,485	742,568
Operating income (Millions of yen / Thousands of U.S. dollars)	8,932	35,136	75,759	56,678
Net income (Millions of yen / Thousands of U.S. dollars)	10,191	22,777	86,441	38,820
Per share of common stock (Yen / U.S. dollars)	17.21	38.47	0.15	65.20
Total Assets (Millions of yen / Thousands of U.S. dollars)	525,137	481,541	4,454,095	468,432
Shareholders' Equity (Millions of yen / Thousands of U.S. dollars)	198,326	171,649	1,682,155	188,965
Per share of common stock (Yen / U.S. dollars)	334.94	289.56	2.84	318.81

The U.S. dollar amounts are converted from the yen amount at ¥117.90=U.S.\$1.00. The exchange rate prevailing on September 30, 2006.

## **1. Management Policies**

### **1. Principles of Management**

“K” LINE, as a business organization centering on shipping, makes it the basic principle of management to contribute to the peace and the prosperity of the world through “K” LINE Group’s business activities, and for the purpose, established its Corporate Principles and Vision as follows:

#### <Corporate Principles of the “K” LINE Group>

The basic principles of the “K” LINE Group as a business organization centering on shipping lie in:

- a. Diligent efforts for safety in navigation and cargo operations as well as for environmental preservation;
- b. Sincere response to customer needs by making every possible effort; and
- c. Contributing to the world’s economic growth and stability through continual upgrading of service quality.

#### <Vision>

- (1) To be trusted and supported by customers in all corners of the world while being able to continue to grow globally with sustainability,
- (2) To build a business base that will be capable of responding to any and all changes in business circumstances, and to continually pursue and practice innovation for survival in the global market,
- (3) To create and provide a workplace where each and every employee can have hopes and aspirations for the future, and can express creativity and display a challenging spirit.

## **2. Intermediate Management Strategy and Profit Targets of the “K” LINE Group**

### **“K” LINE Vision 2008<sup>+</sup>**

In April 2004, “K” LINE started a newly-developed 5-year management plan called “K” LINE Vision 2008. Since then, as we have recognized “sustainable growth and establishment of a stable profitability structure” as the most important tasks, we have been continuously providing our cost-competitive upgraded fleet of ships and high quality transportation services, and at the same time have endeavoured to expand our businesses in new markets and significantly growing business fields. During this time, the global economy has experienced numerous structural changes, particularly in China, and now is in the sustainable growth phase. However, the business environment surrounding marine transportation has substantially changed from the projections we made two years ago, as seen in the soaring fuel oil price. In response to such changes in business circumstances, this March “K” LINE established a newly-revised intermediate management plan known as “K” LINE Vision 2008<sup>+</sup> as our navigation aid to meet the challenges for achieving higher management goals, taking a hard look at what business environments will be like in the mid-2010s. Under the newly-revised interim business plan, we will continue to strive for “sustainable growth and establishment of a stable profitability structure” as the most important task.

[Numerical Targets for FY2008]

While promoting further extension of our business activities (Vessels in operation: 500; operating revenues: ¥1,100 billion), we will make all efforts to constantly secure “A” bond rating by achieving more than ¥400 billion in shareholders’ equity, and equity ratio of about 40%, ROE of about 20% and debt-to-equity ratio of 90% or less.

[Numerical targets for FY2006-FY2008 and Mid-2010s]

(Unit: 100 million yen/Rounded off to the nearest 100 million)

	FY2006 (Forecast)	FY2007 (Targeted)	FY2008 (Targeted)	Mid-2010s (Projected)
Operating revenues	10,500	10,500	11,000	15,000
Ordinary income	610	900	1,100	1,500
Net income	510	600	700	1,000
Payout ratio	20%, consolidated basis			30%, consolidated basis
ROE	18%	19%	19%	More than 10%
Interest-bearing debt	3,270	3,400	3,500	3,500
Shareholders’ equity	2,920	3,420	4,000	7,500
Equity ratio	33%	37%	39%	50% or more
Debt Equity Ratio (DER)	112%	99%	88%	50% or less
Scale of fleet			500 vessels	700 vessels

Assumptions for prospects for operating results

	FY2006 (Forecast)	FY2007 (Targeted)	FY2008 (Targeted)	Mid-2010s (Projected)
Foreign exchange rate	¥115/US\$	¥110/US\$	¥110/US\$	¥110/US\$
Fuel oil price	\$326/MT	\$300/MT	\$300/MT	\$300/MT

The figures above include the prospects for future operating results as of the date of publication of the management plan (November 2006). Actual results may differ significantly from the prospects above, due to risks or uncertainties related to the global economy and fluctuations in foreign exchange rates, and other unforeseen factors.

### 3. Issues Requiring Responses from the Company

The Company will focus on the following items to realize “sustainable growth and establishment of a stable profitability structure”, the major task in “K” LINE Vision 2008<sup>+</sup>.

1) Efforts to expand systematically the scale of business

The Company will pursue the maximized scale benefits and the reduction of unit cost by expanding the scale of our business to promote sustainable growth and to establishing a stable profitability structure. “K” LINE Vision 2008<sup>+</sup> is aiming to significantly expand the number of fleet in operation to 500 vessels in FY2008, and therefore, the Company will be committed to improve the ship operation system which supports safety in navigation and cargo transportation more than ever before, and also to establish the most globally suitable and competitive business organization. Furthermore, the Company will introduce an

Executive Officer System and promote a global personnel policy for the purpose of securing further flexibility in decision-making and expanding the scope of delegation of authority to overseas bases, and promote the restructuring of the business organization globally while exercising due care regarding risk management.

## 2) Responses to changes in business environments

- Risk factors and countermeasures

The Company recognizes that war, the spread of avian flu, changes in economic structures in major countries, currency rate movement and further hikes in fuel oil prices are serious risk factors for the Company. The Crisis Management Committee and its subcommittees will discuss and plan countermeasures when necessary.

- CSR and environmental preservation issues

The Company has been promoting company-wide CSR (Corporate Social Responsibility) activities and environmental preservation. To enhance such activities, the Company reorganized the Environmental Committee as the CSR & Environmental Committee, and newly set up the basic policy for the promotion of CSR activities. To respond to expectations from stakeholders including customers, shareholders/investors, employees, business partners, and local societies at home and abroad, the Company will carry out the CSR activities plan across the board, in addition to the environmental preservation activities in operation based on the Environmental Management System that is in accordance with ISO14001 standards.

- Reform of costs structure

“K” LINE Group has challenged, as one body, the campaign to reform divisional and functional cost structures, and succeeded in curtailing costs by more than ¥5.0 billion in FY2004 and FY2005. The Company also targets a cost reduction of about ¥5.0 billion in FY2006 and onward. However, the Company is obliged to carry out a structural reform due to skyrocketing fuel oil prices. We will reinforce our cost reduction activities mainly in job sites for every expense item, and in particular, we will concentrate on improving energy-saving measures including a structural review.

In addition to the tasks described in the management plan above, we recognize that ensuring safety in navigation and cargo operation in accordance with our own quality guideline and the security code based on ISO9000 standards is the highest-priority issue that the “K” LINE Group should observe as one body.

## 4. Basic Policy on the Payment of Dividends

### Payment of Dividends

“K” LINE considers the maximization of profits returned to the shareholders, after due consideration of matters such as securing internal reserves for capital spending aiming to expand the scale of our operations in accordance with the intermediate management plan in operation and for the improvement and enhancement of the corporate structure, as one of its most important issues, and makes it its basic policy to maintain a stable dividend. With respect to dividend

payment, the Company will increase the target payout ratio to 20% of the consolidated net profit starting from the current FY2006 ending March 2007 and onward. We will make further efforts to increase the payout ratio in the future and to maximize the returning of profits to the shareholders.

#### Policy of dividend payment for the current fiscal year

In terms of the interim dividend for the fiscal year ending March 2007, the Company resolved to pay ¥9 per share at the board of directors meeting held on November 9, 2006 as announced at the time of publication of the consolidated operating results for the 1st Quarter of fiscal 2006. In addition, the Company currently intends to pay ¥18 per share as the final dividend for fiscal 2006.

#### **5. Policy on the Lowering of the Stock Trade Unit**

The Company perceives that sufficient stock liquidity and the participation of many investors in the stock markets are both essential for generating fair stock prices in the stock markets. The Company will therefore continue to carefully watch and investigate the liquidity and movements on the Company's shares in regard to the lowering of the stock trade unit in the stock markets.

#### **6. Parent Company**

Not applicable.

## 2. Brief Summary of the Operating Results and Financial Position for the First Half of Fiscal 2006

### 1. Operating Results

#### (1) Summary of the Consolidated Operating Results of First Half of Fiscal 2006

(Unit: 100 million yen/Rounded off to the nearest 100 million)

	First half of fiscal 2006 ended Sep. 30, 2006	First half of fiscal 2005 ended Sep. 30, 2005	Increase in amount/rate
Operating revenues	5,180	4,548	+633/+13.9%
Operating income	235	502	-267/-53.2%
Ordinary income	246	496	-250/-50.5%
Net income	206	349	-143/-41.1%

In the first half of fiscal 2006, the economy of the U.S. and Asian countries mostly grew steadily, and the economy of the European countries strongly advanced. The Japanese economy also recorded stable growth, continuing to breakaway from deflation.

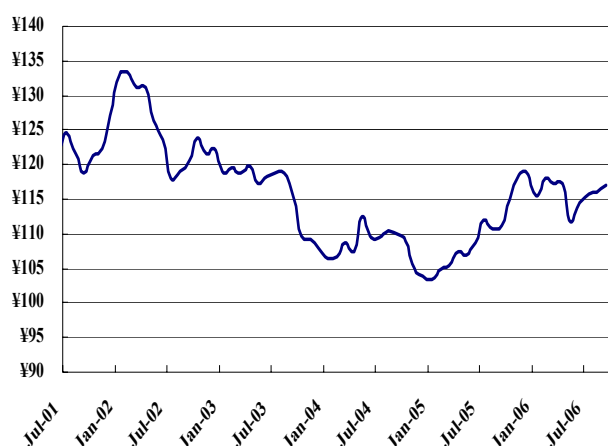
In the shipping industry, cargo movements maintained constant growth, supported by the brisk world economy, despite negative factors including soaring crude oil price.

In addition, effects of the fluctuations in foreign exchange rates and fuel prices on the Company's ordinary income are as follows:

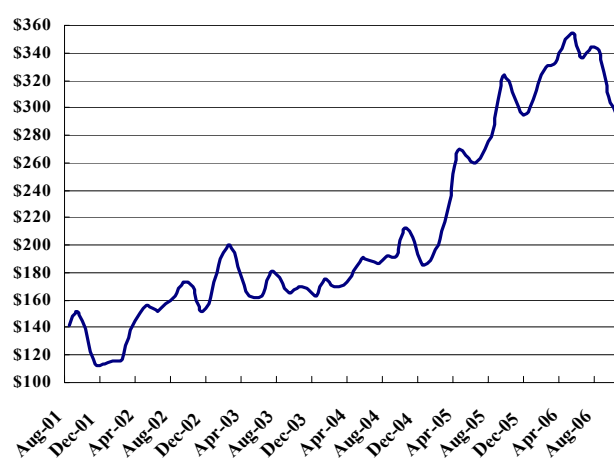
	First half of fiscal 2006	First half of fiscal 2005	Increase	Effect
Foreign exchange rates	¥115/US\$	¥109/US\$	¥6/US\$	¥2.4 billion
Fuel oil prices	US\$337/MT	US\$261/MT	US\$76/MT	-¥10.3 billion

Note: A fluctuation in the foreign exchange rate for the US dollar of ¥1/US\$ affects the level of the Company's ordinary income by around ¥0.8 billion over a year. The effect of a fluctuation in fuel oil prices of \$1 per 1 metric ton is around ¥0.27 billion annually.

<Trends in foreign exchange rates>



<Trends in the unit prices of fuel oil consumed>



Under these circumstances, the “K” LINE Group deployed aggressive business operations based on the policies under the intermediate management plan “K” LINE Vision 2008<sup>+</sup>, and focused on expanding the scale of business. As a result, the consolidated operating revenues of the first half of fiscal 2006 increased by ¥63.264 billion compared with the first half of fiscal 2005 to ¥518.028 billion. However, due to effects from surging fuel oil prices, consolidated operating income decreased ¥26.664 billion from the same period last year to ¥23.502 billion and consolidated ordinary income declined by ¥25.039 billion compared to the same period of the preceding year to ¥24.585 billion. Consolidated net income for the first half of fiscal 2006 decreased by ¥14.330 billion on a year-on-year basis to ¥20.555 billion.

In addition, operating revenues and operating income for the first half of fiscal 2006 by business segment are as follows:

(Unit: 100 million yen/Rounded off to the nearest 100 million)

		First half of fiscal 2006 (Apr. 2006 – Sep. 2006)	First half of fiscal 2005 (Apr. 2005 – Sep. 2005)	Increase (Decrease) in amount/rate
Marine transportation	Operating revenues	4,475	3,934	+541/+13.8%
	Operating income	167	441	-273/-62.0%
	Ordinary income	169	432	-263/-60.9%
Freight Forwarding/ Harbor Transportation	Operating revenues	604	525	+78/+14.9%
	Operating income	61	49	+12/+23.9%
	Ordinary income	70	54	+16/+30.3%
Others	Operating revenues	102	89	+14/+15.3%
	Operating income	6	10	-4/-42.6%
	Ordinary income	7	11	-4/-39.0%

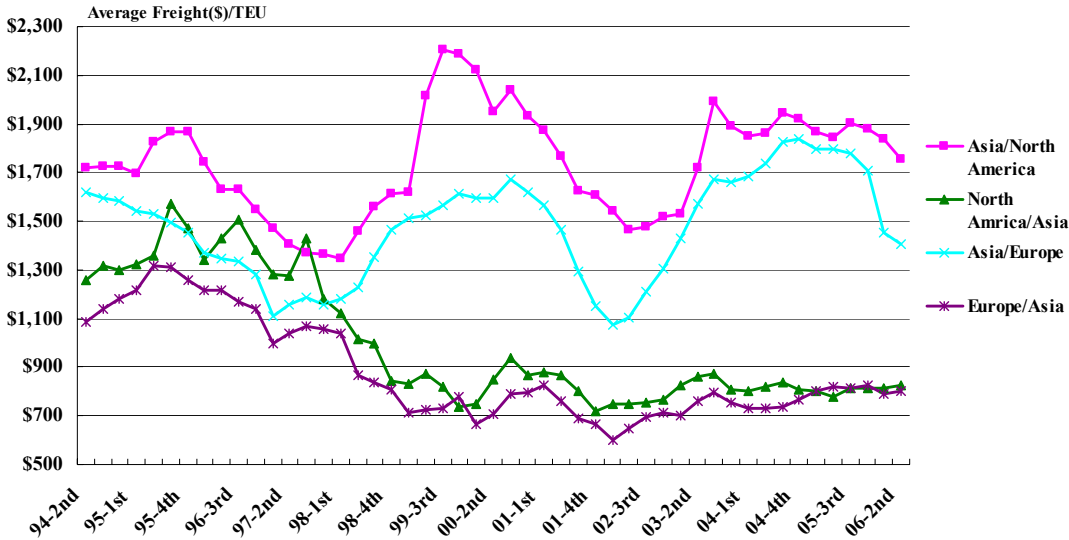
#### (1) Marine transportation

##### <Containership Business>

Cargo movements in the Asia/North America services showed a double-digit growth compared with the same period of the preceding year thanks to firm cargo movements of general consumer goods, despite housing demand-related goods on a downward trend. The Company reinforced transportation capacity by setting up one additional service to the Asia/U.S. East Coast from July 2006 in addition to launching newly built large-sized 5500 TEU type vessels in the Asia/U.S. Pacific Northwest services, and consequently tonnage movements increased by 10% compared with the same period a year earlier. In the Asia/Europe services, cargo movements of general consumer goods steadily grew; cargo shipment from China especially increased by nearly 20% from the same period last year. The total cargo movements of North Europe services and Mediterranean Sea services achieved a double-digit growth. In these services, the Company’s tonnage movements rose by 12%, since tonnage movement in Mediterranean Sea services, which services increased in the preceding year, climbed substantially against the same period of the

previous year. On Inter-Asia services, cargo movement rose by a double-digit percentage on a year-on-year basis, mainly in China-related services. However, operating results sharply fell short from those in the first half of fiscal 2006, affected by soaring fuel oil prices and delayed restoration of freight rates which have been declining since the end of the last year in European services.

Containerization International “Freight Rates Indicators”



<Bulk Carrier and Car Carrier Business>

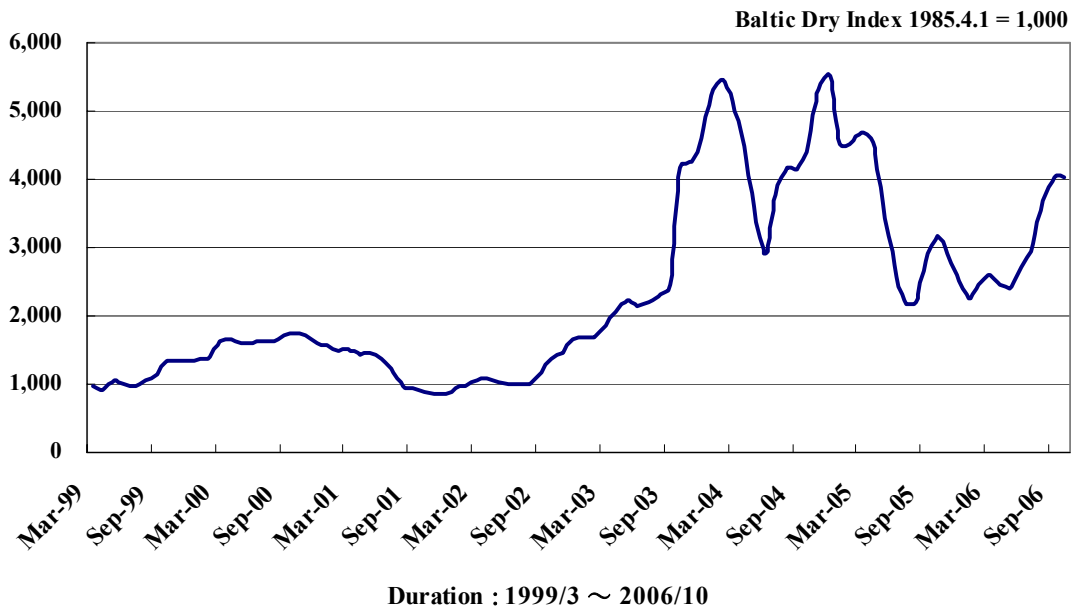
As for dry bulk transportation, both market freight rates for large-sized bulk carriers, which enjoyed benefits of increased imports of iron ores by China, and those for small and medium-sized bulk carriers, which were supported by strong demand for transportation of cement and steel products, advanced on trends at higher levels of market rates compared with the same period last year, especially from June. Of the thermal coal carrier services for electric power companies, demand and supply for vessels were well balanced, which contributed to stable earnings.

In the car carrier business, marine transportation of Japanese and the South Korean cars to various regions, mainly to the North American markets having strong demand for fuel-saving cars, has been maintaining a constant growth. The overall number of cars transported by the Company in the first half of fiscal 2006 increased by 14% compared with the same period last year, since the Company enhanced transportation capacity by launching three newly built car carriers in the first half of the current year.

However, overall business performances in the bulk carrier and car carrier business fell below those in the same period a year earlier, affected primarily by lower market freight rates compared with the same period last year and surging fuel oil prices.



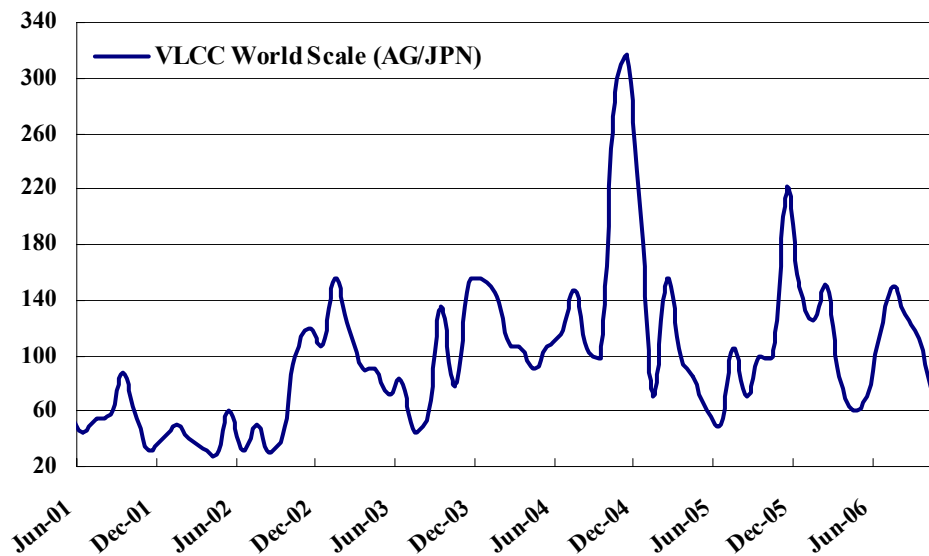
### Baltic Dry Index



### <Energy Transportation and Tanker Business>

As for LNG carriers, the fleet of LNG tankers of the Company increased to 31 carriers due to the completion of a new carrier. All LNG carriers operated smoothly, and secured stable profitability. In the tanker services, the Company made efforts to administrate efficient ship operation while market freight rates softened temporarily amid inflated fuel oil prices. The overall operating results in this business exceeded those in the first half of the last year.

### <Trends in tanker freight rates>



### <Coastal shipping Business>

Both the domestic liner services and the tramp services secured the stable cargo volumes, assisted by the strong domestic economy. The Company bolstered the services by launching a newly built large-sized roll-on/roll-off (RORO) ship in June and in July this year in alternate services between Kushiro and Hitachi, and at the same time, set up new regular services between Northern Kanto and Northern Kyushu by the two RORO ships. As for ferry services, the Company implemented fuel price adjustment to counter soaring fuel oil prices, and strove to stabilize service operations. The overall earnings in the coastal shipping business decreased compared with the same period of the preceding year.

As a result, the overall operating revenues for marine transportation amounted to ¥447.463 billion, an increase of 13.8% over the same period last year, and operating income stood at ¥16.743 billion, a decrease by 62.0% from the first half of fiscal 2005.

### (2) Freight Forwarding/Harbor Transportation

In July 2006, the Company's subsidiaries "K" Line Air Service, Ltd. and "K" Logistics Corp. merged and newly started as "K" Line Logistics, Ltd. The Company will be providing globally integrated transportation services by seamlessly connecting transportation via air, sea, and land by utilizing sophisticated IT systems, as well as by integrating know-how about logistics services in both marine and air cargo cultivated by the two subsidiaries. With expansion of the business scale of containership business, the freight forwarding/harbor transportation business enjoyed increase both in operating revenues and in profit.

As a result, the overall consolidated operating revenues for the freight forwarding/harbor transportation for the first half of fiscal 2006 amounted to ¥60.351 billion, an increase of 14.9% over the same period last year, and operating income stood at ¥6.057 billion, a rise by 23.9% from the first half of fiscal 2005.

### (3) Other business

Businesses other than those described in the above including ship management business increased in operating revenues but ended up with a profit decline.

The overall operating revenues in other businesses were ¥10.213 billion, an increase by 15.3% compared with the same period of the preceding year, and operating income was ¥0.579 billion, a decrease by 42.6% from the first half of fiscal 2005.

## (2) Prospects for Fiscal 2006

(Unit: 100 million yen/Rounded off to the nearest 100 million)

	Prospects for Fiscal 2006 (ending March 2007)	Fiscal 2005 (ended March 2006)	Increase (Decrease) in amount/rate
Operating revenues	10,500	9,408	+1,092/+11.6%
Operating income	600	880	-280/-31.8%
Ordinary income	610	886	-276/-31.1%
Net income	510	624	-114/-18.3%

Foreign exchange rates	¥115/US\$	¥113/US\$	-¥2/US\$
Fuel oil prices	US\$326/MT	US\$286/MT	+US\$40/MT

Assumptions for the prospects: Foreign exchange rate (For the 2nd half): ¥115/US\$  
Fuel oil price (For the 2nd half): US\$315/MT

With respect to the second half of fiscal 2006, in the containership business, market freight rates will constantly grow supported by strong cargo movements, as seen in the steadily restoring market freight rates in the Asia/Europe services, in spite of uncertain factors including slowing down of the U.S. economy and movements in Asian economies. The Company will make all efforts to reduce costs including fuel oil cost through rearrangement of services taking advantage of newly built vessels and reviewing ports of call. Market freight rates of dry bulk carriers are showing further signs of recovery thanks to the strong demand for marine transportation of cargo, and will exceed the level of freight rates in the same period of the previous year, which will improve our profitability. As for the car carrier business, new-car sales are expected to continue to rise further in various regions, and in consequence, marine transportation of new cars will remain on a firmer trend. Market freight rates of tankers are also expected to advance on a bullish trend. Furthermore, fuel oil prices have been showing signs of calming down recently. In view of the circumstances in the above, the Company expects the consolidated operating results for the full term of fiscal 2006 to be ¥1,050.0 billion for operating revenues, ¥60.0 billion for operating income, ¥61.0 billion for the ordinary income, and ¥51.0 billion for the net income.

## 2. Financial Status

As of the end of September 2006, total assets increased by ¥67.222 billion on a year-on-year basis to ¥824.262 billion, due to an increase in accounts and notes receivable-trade resulting from the expansion of our business scale, increased investment in vessels and construction in progress, and the increase in investment securities.

As for total liabilities, current liabilities increased by ¥34.281 billion on a year-on-year basis to ¥251.389 billion, owing to factors such as an increase in accounts and notes payable-trade resulting from the expanded scale of operation and an increase in bond payables. Total long-term liabilities rose by ¥4.542 billion to ¥275.432 billion from the end of the preceding consolidated fiscal year.

Net assets amounted to ¥297.441 billion, which is attributable to an increase by ¥14.782 billion in retained earnings and to an increase in the evaluation conversion balance etc. As a result, Debt/Equity ratio was 113%.

### 3. Consolidated Cash Flows

(Unit: 100 million yen/Rounded off to the nearest 100 million)

Item	First half of fiscal 2006 (Apr. 2006 – Sep. 2006)	First half of fiscal 2005 (Apr. 2005 – Sep. 2005)	Increase (Decrease) on a year-on-year basis
Cash and cash equivalents at the beginning of the period	412	315	97
(1) Cash flow from operating activities	208	325	-117
(2) Cash flow from investment activities	-602	-588	-14
(3) Cash flow from financing activities	437	-290	147
(4) Effect of exchange rate changes on cash and cash equivalents	-4	11	-14
Net increase (decrease) in cash and cash equivalents	39	38	2
Cash and cash equivalents at the end of the period	451	353	99

As of the end of September 2006, the first half of the consolidated fiscal year 2006, cash and cash equivalents stood at ¥45.138 billion, an increase by ¥3.981 billion from the end of the first half of the preceding consolidated fiscal year. Details of consolidated cash flows are as follows:

Cash flow from operating activities resulted in a gain of ¥20.792 billion, a decrease by ¥11.661 billion from the same period of the preceding year, which is attributable mainly to a decrease in net income before tax adjustment.

Cash flow from investing activities ended with a loss of ¥60.246 billion, due to a decline by ¥1.418 billion of capital compared with the same period last year, due to expenditures such as for the acquisition of vessels.

Cash flow from financing activities saw an increase of ¥43.724 billion, an improvement by ¥14.728 billion on a year-on-year basis, helped by proceeds from long-term debts and from issuing commercial papers.

Regarding cash flow in fiscal 2006, cash flow from operating activities is expected to amount to roughly plus ¥63.0 billion. Cash flow from investing activities will be minus ¥100.0 billion after deducting proceeds from the sale of operating lease vessels on completion from total investment expenditures of ¥180.0 billion, including ¥150.0 billion for the acquisition of vessels and related equipment such as LNG carriers, containerships and bulk carriers. Cash flow from financing activities is expected to be roughly plus ¥37.0 billion, due primarily to the procurement of new investment fund, the repayment of loans for capital spending, and the payment for dividends. Further, interest-bearing debt is expected to be ¥327.0 billion.

In aggregate, cash and cash equivalents will be roughly at the same level as at the end of fiscal 2005.

### 4. Risk factors relating to the “K” LINE Group and its Business

Prospects for future operating results described in this document may differ substantially from the actual results, as they are affected by various risk factors and uncertainty factors. The risk factors and uncertainty factors include the economic situation of markets where the “K” LINE Group operates its business, significant fluctuations in the market freight rates, sharp fluctuations in foreign exchange rates/interest rates/fuel oil prices, accidents at sea involving vessels operated by our Group, and social disruptions such as war and terrorists attacks. There is a possibility that these risk items or uncertain factors may have adverse effects on the Group’s business activities, operating results or financial position. Factors that may have adverse effects are not limited to those stated above.

## Consolidated Financial Statements

(All financial information has been prepared in accordance with accounting principles generally accepted in Japan)

### Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2006 and half years ended September 30, 2006 and 2005

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

	Six Months ended Sep.30,2006	Year ended Mar.31,2006	Six Months ended Sep.30,2006	Six Months ended Sep.30,2005
<b>ASSETS</b>				
Current assets :				
Cash and time deposits	¥ 47,402	¥ 44,185	\$ 402,054	¥ 35,705
Accounts and notes receivable-trade	119,331	109,110	1,012,145	102,404
Short-term loans receivable	14,333	16,624	121,572	11,808
Marketable securities	1,022	932	8,673	21
Inventories	20,742	19,958	175,933	16,443
Prepaid expenses and deferred charges	28,809	25,077	244,358	33,559
Other current assets	24,325	19,778	206,323	20,831
Allowance for doubtful receivables	(626)	(624)	(5,311)	(763)
Total current assets	255,341	235,042	2,165,747	220,011
Fixed assets :				
(Tangible fixed assets)				
Vessels	209,026	189,094	1,772,910	180,959
Buildings and structures	26,701	27,484	226,473	27,420
Machinery and vehicles	11,671	10,568	98,993	8,956
Land	34,054	34,070	288,839	34,718
Construction in progress	89,864	77,042	762,205	71,398
Other tangible fixed assets	8,132	8,083	68,975	6,966
Total tangible fixed assets	379,448	346,344	3,218,397	330,419
(Intangible fixed assets)				
Consolidated adjustment account	-	-	-	9
Other intangible fixed assets	6,236	6,458	52,898	6,367
Total intangible fixed assets	6,236	6,458	52,898	6,377
(Investments and other long-term assets)				
Investments in securities	130,259	121,918	1,104,834	113,634
Long-term loans receivable	12,868	11,595	109,148	10,466
Deferred income taxes	3,519	3,586	29,856	3,940
Deferred income taxes for land revaluation	-	-	-	219
Other long-term assets	37,078	32,450	314,493	25,255
Allowance for doubtful receivables	(510)	(378)	(4,330)	(554)
Total investments and other long-term assets	183,216	169,172	1,554,001	152,962
Total fixed assets	568,902	521,975	4,825,296	489,758
Deferred assets	18	21	161	35
Total assets	¥ 824,262	¥ 757,040	\$ 6,991,203	¥ 709,806

## Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2006 and half years ended September 30, 2006 and 2005

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

	Six Months ended Sep.30,2006	Year ended Mar.31,2006	Six Months ended Sep.30,2006	Six Months ended Sep.30,2005
<b>LIABILITIES</b>				
Current liabilities :				
Accounts and notes payable- trade	¥ 91,001	¥ 82,311	\$ 771,853	¥ 86,035
Current portion of bonds payable	3,000	3,000	25,445	3,000
Short- term loans and current portion of long-term debt	70,943	54,707	601,726	47,226
Commercial paper	33,000	21,000	279,898	14,000
Accrued income taxes	10,657	12,578	90,397	16,693
Accrued bonuses	2,036	2,208	17,269	2,213
Current portion of obligations under finance leases	3,532	3,963	29,958	3,334
Other current liabilities	37,218	37,337	315,678	33,223
Total current liabilities	251,389	217,107	2,132,224	205,727
Long- term liabilities :				
Bonds	70,000	70,000	593,723	73,000
Long- term debt, less current portion	135,979	119,816	1,153,346	128,878
Deferred income taxes for land revaluation	3,205	3,205	27,185	3,105
Allowance for employees' retirement benefit	9,695	10,260	82,235	11,077
Retirement allowance for directors and statutory auditors	2,431	2,714	20,622	2,181
Accrued expenses for overhaul of vessels	15,591	13,335	132,239	12,168
Obligations under finance leases	5,326	5,745	45,181	6,142
Consolidation negative goodwill	-	45	-	-
Other long- term liabilities	39	-	337	-
Total long- term liabilities	275,432	270,889	2,336,151	269,439
Total liabilities	526,821	487,997	4,468,375	475,166
Minority interests in consolidated subsidiaries	-	11,233	-	10,064
Shareholders' equity :				
Common stock	-	29,689	-	29,689
Additional paid- in capital	-	14,534	-	14,534
Retained earnings	-	169,430	-	146,658
Revaluation reserve for land	-	6,466	-	6,815
Unrealized holding gain on investments in securities	-	36,928	-	28,289
Translation adjustments	-	1,790	-	(984)
Treasury stock, at cost	-	(1,031)	-	(428)
Total shareholders' equity	-	257,809	-	224,575
Total liabilities, minority interest and shareholders' equity	-	757,040	-	709,806
<b>NET ASSETS</b>				
Shareholder's equity:				
Common stock	29,689	-	251,822	-
Additional paid-in capital	14,534	-	123,281	-
Retained earnings	184,212	-	1,562,448	-
Treasury stock, at cost	(997)	-	(8,465)	-
Total shareholders' equity	227,439	-	1,929,086	-
Valuation and translation adjustments				
Unrealized holding gain on investments in securities	33,039	-	280,237	-
Deferred gain on hedges	17,459	-	148,084	-
Revaluation reserve for land	6,465	-	54,838	-
Translation adjustments	1,056	-	8,961	-
Total valuation and translation adjustments	58,020	-	492,120	-
Minority interests in consolidated subsidiaries	11,981	-	101,623	-
Total net assets	297,441	-	2,522,828	-
Total liabilities and net assets	824,262	-	6,991,203	-

## Consolidated Statements of Income

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2006 and half years ended September 30, 2006 and 2005

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

	Six Months ended Sep.30,2006	Six Months ended Sep.30,2005	Six Months ended Sep.30,2006	Year ended Mar.31,2006
Operating revenues	¥ 518,028	¥ 454,764	\$ 4,393,794	¥ 940,818
Costs and expenses	463,530	376,070	3,931,553	791,803
Gross profits	54,498	78,694	462,241	149,015
Selling, general and administrative expenses	30,995	28,526	262,895	61,039
Operating income	23,502	50,167	199,345	87,976
Non-operating income :				
Interest income	1,351	860	11,462	1,669
Dividend income	1,319	750	11,195	1,544
Equity in earnings of affiliated companies	869	-	7,373	-
Exchange gain	-	264	-	1,467
Other non-operating income	740	380	6,277	1,123
Total non-operating income	4,280	2,256	36,306	5,804
Non-operating expenses :				
Interest expenses	2,104	2,267	17,850	4,336
Exchange loss	662	-	5,618	-
Other non-operating expenses	430	530	3,654	871
Total non-operating expenses	3,197	2,798	27,122	5,207
Ordinary income	24,585	49,625	208,529	88,573
Extraordinary profits	6,718	3,156	56,985	8,498
Extraordinary losses	489	17	4,155	1,793
Income before income taxes	30,814	52,764	261,359	95,278
Income taxes	9,528	16,943	80,817	31,079
Minority interests	730	934	6,196	1,775
Net income	¥ 20,555	¥ 34,885	\$ 174,345	¥ 62,423

## Consolidated Statements of Shareholders' Equity

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the half years ended September 30, 2006

(Millions of Yen)

	Shareholders' equity				
	Common stock	Additional paid- in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance March 31, 2006	¥ 29,689	¥ 14,534	¥ 169,430	¥ (1,031)	¥ 212,623
Change of items during the term					
Cash dividends	-	-	(5,328)	-	(5,328)
Net Income	-	-	20,555	-	20,555
Purchase/disposal of treasury stocks	-	-	(17)	33	16
Others	-	-	(427)	-	(427)
Net increase/decrease during the term under review except in Shareholders' Equity	-	-	-	-	-
Net increase/decrease during the term	-	-	14,782	33	14,815
Balance Sep.30, 2006	¥ 29,689	¥ 14,534	¥ 184,212	¥ (997)	¥ 227,439

	Valuation and translation adjustments				
	Unrealized holding gain on investments in securities	Deferred gain on hedges	Revaluation reserve for land	Translation adjustments	Total valuation and translation adjustments
Balance March 31, 2006	¥ 36,928	-	¥ 6,466	¥ 1,790	¥ 45,186
Change of items during the term					
Cash dividends	-	-	-	-	-
Net Income	-	-	-	-	-
Purchase/disposal of treasury stocks	-	-	-	-	-
Others	-	-	-	-	-
Net increase/decrease during the term under review except in Shareholders' Equity	(3,888)	17,459	(1)	(734)	12,834
Net increase/decrease during the term	(3,888)	17,459	(1)	(734)	12,834
Balance Sep.30, 2006	¥ 33,039	¥ 17,459	¥ 6,465	¥ 1,056	¥ 58,020

	Minority interests in consolidated subsidiaries	Total liabilities and net assets
Balance March 31, 2006	¥ 11,233	¥ 269,043
Change of items during the term		
Cash dividends	-	(5,328)
Net Income	-	20,555
Purchase/disposal of treasury stocks	-	16
Others	-	(427)
Net increase/decrease during the term under review except in Shareholders' Equity	747	13,582
Net increase/decrease during the term	747	28,398
Balance Sep.30, 2006	¥ 11,981	¥ 297,441



## Consolidated Statements of Shareholders' Equity

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the half years ended September 30, 2006

(Thousands of U.S.Dollars)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance March 31, 2006	\$ 251,822	\$ 123,281	\$ 1,437,070	\$ (8,752)	\$ 1,803,421
Change of items during the term					
Cash dividends	-	-	(45,194)	-	(45,194)
Net Income	-	-	174,345	-	174,345
Purchase/disposal of treasury stocks	-	-	(147)	287	140
Others	-	-	(3,626)	-	(3,626)
Net increase/decrease during the term under review except in Shareholders' Equity	-	-	-	-	-
Net increase/decrease during the term	-	-	125,378	287	125,666
Balance Sep.30, 2006	\$ 251,822	\$ 123,281	\$ 1,562,448	\$ (8,465)	\$ 1,929,086

	Valuation and translation adjustments				
	Unrealized holding gain on investments in securities	Deferred gain on hedges	Revaluation reserve for land	Translation adjustments	Total valuation and translation adjustments
Balance March 31, 2006	\$ 313,220	-	\$ 54,851	\$ 15,190	\$ 383,260
Change of items during the term					
Cash dividends	-	-	-	-	-
Net Income	-	-	-	-	-
Purchase/disposal of treasury stocks	-	-	-	-	-
Others	-	-	-	-	-
Net increase/decrease during the term under review except in Shareholders' Equity	(32,983)	148,084	(13)	(6,229)	108,859
Net increase/decrease during the term	(32,983)	148,084	(13)	(6,229)	108,859
Balance Sep.30, 2006	\$ 280,237	\$ 148,084	\$ 54,838	\$ 8,961	\$ 492,120

	Minority interests in consolidated subsidiaries	Total liabilities and net assets
Balance March 31, 2006	\$ 95,279	\$ 2,281,960
Change of items during the term		
Cash dividends	-	(45,194)
Net Income	-	174,345
Purchase/disposal of treasury stocks	-	140
Others	-	(3,626)
Net increase/decrease during the term under review except in Shareholders' Equity	6,344	115,203
Net increase/decrease during the term	6,344	240,869
Balance Sep.30, 2006	\$ 101,623	\$ 2,522,828

## Statements of Additional paid-in capital and Retained earnings

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2006 and half years ended September 30, 2005

(Millions of Yen)

	<b>Six Months ended Sep.30,2005</b>	<b>Year ended Mar.31,2006</b>
Additional paid-in capital		
Additional paid-in capital at the beginning of the year	<b>¥ 14,534</b>	¥ 14,534
Additional paid-in capital at the end of the year	<b>14,534</b>	14,534
Retained earnings		
Retained earnings at the beginning of the year	<b>117,483</b>	117,483
Increase in retained earnings :		
Net income	<b>34,885</b>	62,423
Due to inclusion in consolidation of subsidiaries	-	1,391
Due to exclusion in consolidation of subsidiaries	<b>6</b>	12
Due to reversal of revaluation reserve for land	-	304
Decrease in retained earnings :		
Cash dividends	<b>5,325</b>	10,660
Bonuses to directors and statutory auditors	<b>336</b>	336
Due to inclusion in consolidation of subsidiaries	-	1,080
Loss on disposal of treasury stock	<b>55</b>	107
Retained earnings at the end of the year	<b>¥ 146,658</b>	¥ 169,430

## Consolidated Statements of Cash Flows

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2006 and half years ended September 30, 2006 and 2005

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

	Six Months ended Sep.30,2006	Six Months ended Sep.30,2005	Six Months ended Sep.30,2006	Year ended Mar.31,2006
Cash flows from operating activities :				
Income before income taxes	¥ 30,814	¥ 52,764	\$ 261,359	¥ 95,278
Depreciation	14,326	12,685	121,510	26,989
Amortization	917	722	7,781	1,632
Reversal of employees' retirement benefits	(665)	(559)	(4,792)	(1,376)
(Reversal of) provision for directors' and statutory auditors' retirement benefits	(283)	(372)	(2,402)	123
Accrued expenses for overhaul of vessels	2,284	789	19,375	1,865
Interest and dividend income	(2,671)	(1,611)	(22,656)	(3,214)
Interest expense	2,104	2,267	17,850	4,336
Loss (gain) on sale of marketable securities and investments in securities	(3,781)	17	(32,071)	(2,503)
Gain on sale of vessels, property and equipments	(2,781)	(2,992)	(23,589)	(4,839)
Loss on sale of vessels, property and equipments	-	-	-	599
Increase in accounts and notes receivable – trade	(12,916)	(11,288)	(109,558)	(12,887)
Increase in accounts and notes payable – trade	8,466	19,242	71,813	12,989
Increase in inventories	(803)	(4,214)	(6,819)	(7,668)
Increase in short-term assets	(4,154)	(7,908)	(35,239)	2,136
Other, net	1,509	522	12,803	3,062
Interest and dividends received	2,204	1,585	18,694	3,239
Interest paid	(2,113)	(2,301)	(17,929)	(4,475)
Income taxes paid	(11,762)	(26,895)	(99,770)	(42,952)
Net cash provided by operating activities	20,792	32,454	176,360	72,337
Cash flows from investing activities :				
Purchases of marketable securities and investments in securities	(16,575)	(5,611)	(140,586)	(8,129)
Proceed from sale of marketable securities and investments in securities	6,666	23	56,545	8,822
Purchases of vessels, property and equipment	(65,810)	(57,582)	(558,193)	(99,654)
Proceeds from sale of vessels, property and equipment	13,590	4,527	115,271	16,431
Other, net	1,882	(184)	15,969	(812)
Net cash used in investing activities	(60,246)	(58,828)	(510,994)	(83,342)

## Consolidated Statements of Cash Flows

Kawasaki Kisen Kaisha, Ltd. and Consolidated Subsidiaries for the year ended March 31, 2006 and half years ended September 30, 2006 and 2005

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

	Six Months ended Sep.30,2006	Six Months ended Sep.30,2005	Six Months ended Sep.30,2006	Year ended Mar.31,2006
Cash flows from financing activities :				
Decrease of short-term loans, net	17,609	(1,139)	149,357	3,098
Increase (decrease) in commercial paper	12,000	14,000	101,781	21,000
Proceeds from long-term debt	50,367	8,656	427,204	18,791
Repayment of long-term debt and obligations under finance leases	(30,862)	(17,358)	(261,766)	(41,435)
Proceeds from issuance of bonds	-	29,970	-	29,970
Repayment of bonds	-	-	-	(3,000)
Cash dividends paid	(5,320)	(5,318)	(45,130)	(10,635)
Cash dividends paid to minority shareholders	(102)	(91)	(873)	(251)
Other, net	33	277	287	(379)
Net cash used in financing activities	43,724	28,995	370,861	17,157
Effect of exchange rate changes on cash and cash equivalents	(291)	1,166	(2,474)	2,402
Net increase in cash and cash equivalents	3,979	3,788	33,752	8,555
Cash and cash equivalents at beginning of the period	41,157	31,497	349,087	31,497
Increase in cash and cash equivalents arising from inclusion of subsidiaries in consolidation	4	5	36	1,112
Decrease in cash and cash equivalents arising from exclusion of subsidiaries in consolidation	(2)	(4)	(21)	(8)
Cash and cash equivalents at end of the period	¥ 45,138	¥ 35,287	\$ 382,854	¥ 41,157

Note : Cash and cash equivalents are reconciled to cash and time deposits reflected in the consolidated balance sheets at the end of each periods as follows.

	Sep.30,2006	Sep.30,2005	Sep.30,2006	Mar.31,2006
Cash and time deposits	¥ 47,402	¥ 35,705	\$ 402,054	¥ 44,185
Time deposits with maturity of more than three months after the purchase date	(2,263)	(418)	(19,203)	(3,028)
Highly liquid marketable securities with low risk	0	0	3	0
Cash and cash equivalents	¥ 45,138	¥ 35,287	\$ 382,854	¥ 41,157

## Consolidated Segment Information

(a) Business segment information

Six months ended Sep.30,2006

(Millions of Yen)

	Freight Forwarding /			Total	Eliminations	Consolidated
	Marine Transportation	Harbor Transportation	Others			
Revenues						
(1) Operating revenues	¥ 447,463	¥ 60,351	¥ 10,213	¥ 518,028	-	¥ 518,028
(2) Inter-group sales and transfers	3,611	26,845	17,484	47,941	(47,941)	-
Total revenues	451,074	87,197	27,698	565,970	(47,941)	518,028
Operating expenses	434,330	81,140	27,118	542,589	(48,064)	494,525
Operating income	16,743	6,057	579	23,380	122	23,502
Ordinary income	¥ 16,866	¥ 7,006	¥ 660	¥ 24,533	¥ 52	¥ 24,585

Six months ended Sep.30,2005

(Millions of Yen)

	Freight Forwarding /			Total	Eliminations	Consolidated
	Marine Transportation	Harbor Transportation	Others			
Revenues						
(1) Operating revenues	¥ 393,356	¥ 52,545	¥ 8,861	¥ 454,764	-	¥ 454,764
(2) Inter-group sales and transfers	3,205	22,630	14,565	40,402	(40,402)	-
Total revenues	396,562	75,176	23,427	495,166	(40,402)	454,764
Operating expenses	352,475	70,286	22,418	445,180	(40,583)	404,597
Operating income	44,087	4,889	1,008	49,985	181	50,167
Ordinary income	¥ 43,159	¥ 5,377	¥ 1,082	¥ 49,618	¥ 6	¥ 49,625

Six months ended Sep.30,2006

(Thousands of U.S.Dollars)

	Freight Forwarding /			Total	Eliminations	Consolidated
	Marine Transportation	Harbor Transportation	Others			
Revenues						
(1) Operating revenues	\$ 3,795,276	\$ 511,891	\$ 86,627	\$ 4,393,794	-	\$ 4,393,794
(2) Inter-group sales and transfers	30,630	227,698	148,303	406,631	(406,631)	-
Total revenues	3,825,906	739,589	234,930	4,800,425	(406,631)	4,393,794
Operating expenses	3,683,890	688,214	230,016	4,602,120	(407,671)	4,194,449
Operating income	142,016	51,375	4,913	198,305	1,040	199,345
Ordinary income	\$ 143,056	\$ 59,431	\$ 5,601	\$ 208,088	442	\$ 208,529

Year ended Mar.31,2006

(Millions of Yen)

	Freight Forwarding /			Total	Eliminations	Consolidated
	Marine Transportation	Harbor Transportation	Others			
Revenues						
(1) Operating revenues	¥ 806,646	¥ 114,098	¥ 20,073	¥ 940,818	-	¥ 940,818
(2) Inter-group sales and transfers	6,962	54,086	30,960	92,008	(92,008)	-
Total revenues	813,608	168,185	51,033	1,032,827	(92,008)	940,818
Operating expenses	739,182	156,534	49,527	945,243	(92,401)	852,842
Operating income	74,426	11,650	1,506	87,583	392	87,976
Ordinary income	¥ 72,910	¥ 13,564	¥ 1,952	¥ 88,427	¥ 145	¥ 88,573

## (b) Geographical segment information

Six months ended Sep.30,2006

(Millions of Yen)

	Japan	North America	Europe	Asia	Other	Total	Eliminations	Consolidated
Revenues								
(1) Operating revenues	¥ 472,565	¥ 14,594	¥ 12,323	¥ 18,389	¥ 155	¥ 518,028	-	¥ 518,028
(2) Inter-group sales and transfers	5,029	12,188	3,500	7,408	408	28,534	(28,534)	-
Total revenues	477,595	26,782	15,823	25,797	563	546,562	(28,534)	518,028
Operating expenses	462,469	26,120	13,875	20,323	468	523,257	(28,731)	494,525
Operating income	15,125	661	1,947	5,473	95	23,304	197	23,502
Ordinary income	¥ 15,359	¥ 715	¥ 1,894	¥ 6,180	¥ 194	¥ 24,344	¥ 240	¥ 24,585

Six months ended Sep.30,2005

(Millions of Yen)

	Japan	North America	Europe	Asia	Other	Total	Eliminations	Consolidated
Revenues								
(1) Operating revenues	¥ 419,993	¥ 12,363	¥ 5,326	¥ 16,965	¥ 116	¥ 454,764	-	¥ 454,764
(2) Inter-group sales and transfers	3,988	10,065	2,630	5,136	411	22,231	(22,231)	-
Total revenues	423,981	22,428	7,956	22,101	527	476,995	(22,231)	454,764
Operating expenses	382,194	21,757	7,221	15,368	472	427,013	(22,416)	404,597
Operating income	41,787	671	735	6,733	54	49,982	184	50,167
Ordinary income	¥ 41,139	¥ 721	¥ 703	¥ 6,929	¥ 172	¥ 49,667	¥ (42)	¥ 49,625

Six months ended Sep.30,2006

(Thousands of U.S.Dollars)

	Japan	North America	Europe	Asia	Other	Total	Eliminations	Consolidated
Revenues								
(1) Operating revenues	\$4,008,190	\$ 123,787	\$ 104,524	\$ 155,974	\$ 1,319	\$4,393,794	-	\$4,393,794
(2) Inter-group sales and transfers	42,660	103,376	29,690	62,833	3,461	242,020	(242,020)	-
Total revenues	4,050,850	227,163	134,214	218,807	4,780	4,635,814	(242,020)	4,393,794
Operating expenses	3,922,556	221,550	117,692	172,379	3,970	4,438,147	(243,698)	4,194,449
Operating income	128,293	5,613	16,521	46,428	811	197,667	1,678	199,345
Ordinary income	\$ 130,280	\$ 6,072	\$ 16,066	\$ 52,420	\$ 1,649	\$ 206,487	\$ 2,043	\$ 208,529

Year ended Mar.31,2006

(Millions of Yen)

	Japan	North America	Europe	Asia	Other	Total	Eliminations	Consolidated
Revenues								
(1) Operating revenues	¥ 860,075	¥ 30,576	¥ 14,062	¥ 35,767	¥ 337	¥ 940,818	-	¥ 940,818
(2) Inter-group sales and transfers	8,767	23,130	6,963	16,040	815	55,717	(55,717)	-
Total revenues	868,842	53,706	21,025	51,808	1,153	996,536	(55,717)	940,818
Operating expenses	798,251	51,657	19,710	38,418	959	908,996	(56,153)	852,842
Operating income (loss)	70,591	2,048	1,315	13,389	193	87,539	436	87,976
Ordinary income (loss)	¥ 70,642	¥ 2,333	¥ 1,294	¥ 13,947	¥ 541	¥ 88,759	¥ (185)	¥ 88,573

Each segment principally covers the following countries or regions:

North America: U.S.A. and Canada

Europe: U.K., Germany, the Netherlands and France

Asia: Hong Kong, Singapore, Thailand, Indonesia, Korea and Malaysia

Other: Australia

## (c) International business information

Six months ended Sep.30,2006 (Millions of Yen)

	North America	Europe	Asia	Oceania	Other	Total
International revenues	¥139,929	¥ 94,512	¥116,446	¥ 48,126	¥ 41,420	¥440,435
<b>Consolidated revenues</b>						<b>518,028</b>
International revenues as a percentage of consolidated revenues	27.0%	18.2%	22.5%	9.3%	8.0%	85.0%

Six months ended Sep.30,2005 (Millions of Yen)

	North America	Europe	Asia	Oceania	Other	Total
International revenues	¥ 123,455	¥ 78,252	¥ 100,935	¥ 50,878	¥ 32,314	¥ 385,836
<b>Consolidated revenues</b>						<b>454,764</b>
International revenues as a percentage of consolidated revenues	27.1%	17.2%	22.2%	11.2%	7.1%	84.8%

Six months ended Sep.30,2006 (Thousands of U.S.Dollars)

	North America	Europe	Asia	Oceania	Other	Total
International revenues	\$ 1,186,853	\$ 801,629	\$ 987,674	\$ 408,198	\$ 351,320	\$ 3,735,674
<b>Consolidated revenues</b>						<b>4,393,794</b>
International revenues as a percentage of consolidated revenues	27.0%	18.2%	22.5%	9.3%	8.0%	85.0%

Year ended Mar.31,2006 (Millions of Yen)

	North America	Europe	Asia	Oceania	Other	Total
International revenues	¥ 255,430	¥ 161,521	¥ 211,739	¥ 100,362	¥ 68,088	¥ 797,143
<b>Consolidated revenues</b>						<b>940,818</b>
International revenues as a percentage of consolidated revenues	27.1%	17.2%	22.5%	10.7%	7.2%	84.7%

International revenues consist mainly of revenues from the marine transportation business earned outside Japan.

Each segment principally covers following countries or regions:

North America: U.S.A. and Canada

Europe: U.K., Germany, the Netherlands and France

Asia: South-East Asia, The Middle East, the People's Republic of China and India

Oceania: Australia, New Zealand

Other: Central and South America, Africa

## Non-consolidated Financial Statements

(All financial information has been prepared in accordance with accounting principles generally accepted in Japan)

### Non-Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. for the year ended March 31, 2006 and half years ended September 30, 2006 and 2005

(Million YEN or Thousands of U.S. Dollars)

	Six Months ended Sep.30,2006	Year ended Mar.31,2006	Six Months ended Sep.30,2006	Six Months ended Sep.30,2005
<b>ASSETS</b>				
Current assets:				
Cash and time deposits	¥ 6,150	¥ 7,990	\$ 52,165	¥ 6,512
Accounts receivable	87,427	75,055	741,538	75,161
Short-term loans receivable	39,091	32,223	331,565	24,644
Advances payments-trade	7,023	4,712	59,569	6,700
Inventories	17,405	16,837	147,626	13,749
Prepaid expenses and deferred charges	26,471	23,096	224,528	32,615
Due from agents	3,915	4,820	33,214	4,674
Deferred income taxes	3,762	3,453	31,911	3,206
Other current assets	3,971	5,150	33,690	5,026
Allowance for doubtful receivables	(248)	(195)	(2,103)	(305)
Total current assets	194,971	173,146	1,653,701	171,985
Fixed assets :				
(Tangible fixed assets)				
Vessels	35,625	38,628	302,164	40,714
Buildings	4,746	4,791	40,259	4,544
Structures	190	202	1,620	201
Equipments	2,941	3,366	24,948	3,903
Land	21,638	21,638	183,533	22,657
Construction in progress	3	-	33	250
Other tangible fixed assets	1,244	1,336	10,557	1,255
Total tangible fixed assets	66,391	69,963	563,114	73,528
(Intangible fixed assets)				
Software	1,389	1,646	11,786	1,983
Software in progress	174	91	1,484	73
Other intangible fixed assets	11	20	95	20
Total intangible fixed assets	1,575	1,758	13,364	2,077
(Investments and other long-term assets)				
Investments in securities	105,593	98,337	895,623	90,469
Investments in stocks of affiliated company	35,701	34,757	302,808	34,208
Long-term loans receivable	97,678	83,041	828,485	79,692
Long-term prepaid expenses	3,259	2,878	27,644	3,231
Deposits	3,115	3,112	26,423	3,136
Other long-term assets	17,433	15,120	147,865	10,823
Allowance for doubtful receivables	(596)	(595)	(5,058)	(756)
Total investments and other long-term assets	262,184	236,653	2,223,789	220,804
Total fixed assets	330,151	308,375	2,800,267	296,411
Deferred assets				
Bond-issuing expenses	14	19	127	35
Total deferred assets	14	19	127	35
<b>Total assets</b>	<b>¥ 525,137</b>	<b>¥ 481,541</b>	<b>\$ 4,454,095</b>	<b>¥468,432</b>



## Non-Consolidated Balance Sheets

Kawasaki Kisen Kaisha, Ltd. for the year ended March 31, 2006 and half years ended September 30, 2006 and 2005

(Million YEN or Thousands of U.S. Dollars)

	Six Months ended Sep.30,2006	Year ended Mar.31,2006	Six Months ended Sep.30,2006	Six Months ended Sep.30,2005
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	¥ 75,964	¥ 68,528	\$ 644,314	¥ 72,530
Current portion of bounds payable	3,000	3,000	25,445	3,000
Short-term loans and current portion of long-term debt	43,601	26,045	369,817	23,927
Commercial paper	33,000	21,000	279,898	14,000
Accrued income taxes	6,701	9,320	56,839	13,827
Advance receipt	16,612	17,089	140,903	15,082
Deposit received	5,037	5,136	42,729	4,981
Due to agents	7,428	4,256	63,009	10,551
Accrued bonuses	878	942	7,448	1,093
Other current liabilities	2,979	3,823	25,272	4,538
Total current liabilities	195,203	159,143	1,655,672	163,532
Long-term liabilities				
Bonds	70,000	70,000	593,723	73,000
Long-term debt, less current portion	29,831	23,195	253,021	29,297
Allowance for employees' retirement benefit	536	734	4,550	953
Retirement allowance for directors and statutory auditors	1,004	1,363	8,521	1,194
Accrued expenses for overhaul of vessels	1,274	948	10,812	804
Deferred income taxes	21,884	19,115	185,617	13,390
Deferred income taxes for land revaluation	2,862	2,862	24,277	2,862
Other long-term liabilities	4,214	15,213	35,747	11,748
Total long-term liabilities	131,608	133,432	1,116,268	133,250
<b>Total liabilities</b>	<b>326,811</b>	<b>292,575</b>	<b>2,771,941</b>	<b>296,782</b>
Shareholders' equity :				
Common stock	-	29,689	-	29,689
Additional paid-in capital				
Capital surplus	-	14,534	-	14,534
Total additional paid-in capital	-	14,534	-	14,534
Retained earning				
Legal reserve	-	2,540	-	2,540
Special reserve	-	1,528	-	1,528
Special depreciation reserve	-	2,251	-	2,251
Reduced value entry reserve	-	67,052	-	67,052
Other reserve	-	33,940	-	23,285
Unappropriated earned surplus for current term	-	107,312	-	96,658
Total retained earning	-	4,720	-	4,720
Revaluation reserve for land	-	33,642	-	26,377
Unrealized holding gain on investments in securities	-	(934)	-	(331)
Treasury stock, at cost	-	188,965	-	171,649
Total shareholders' equity	-	481,541	-	468,432
<b>Total liabilities and shareholders' equity</b>	<b>-</b>	<b>481,541</b>	<b>-</b>	<b>468,432</b>
<b>NET ASSETS</b>				
Shareholder's equity:				
Common stock	29,689	-	251,822	-
Additional paid-in capital				
Capital surplus	14,534	-	123,281	-
Total additional paid-in capital	14,534	-	123,281	-
Retained earning				
Legal reserve	2,540	-	21,547	-
Special reserve	781	-	6,625	-
Special depreciation reserve	2,114	-	17,935	-
Reduced value entry reserve	95,552	-	810,450	-
Other reserve	10,950	-	92,881	-
Unappropriated earned surplus for current term	111,938	-	949,437	-
Total retained earning	(900)	-	(7,638)	-
Treasury stock, at cost	155,262	-	1,316,902	-
Total shareholders' equity	155,262	-	1,316,902	-
Valuation and translation adjustments				
Unrealized holding gain on investments in securities	29,964	-	254,149	-
Deferred gain on hedges	8,378	-	71,066	-
Revaluation reserve for land	4,720	-	40,038	-
Total valuation and translation adjustments	43,063	-	365,253	-
Total net assets	198,326	-	1,682,155	-
<b>Total liabilities and net assets</b>	<b>525,137</b>	<b>-</b>	<b>4,454,095</b>	<b>-</b>

## Non-Consolidated Statements of Income

Kawasaki Kisen Kaisha, Ltd. for the year ended March 31, 2006 and half years ended September 30, 2006 and 2005

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

	<b>Six Months ended Sep.30,2006</b>	Six Months ended Sep.30,2005	<b>Six Months ended Sep.30,2006</b>	Year ended Mar.31,2006
Revenues from Shipping and other operating :				
Total shipping and other operating revenues	<b>409,465</b>	362,411	<b>3,472,989</b>	741,546
Total shipping and other operating expenses	<b>393,488</b>	320,052	<b>3,337,474</b>	670,618
Total shipping and other operating profits	<b>15,977</b>	42,359	<b>135,515</b>	70,928
Other revenues	<b>530</b>	512	<b>4,496</b>	1,022
Other expenses	<b>253</b>	242	<b>2,150</b>	538
Other profits	<b>276</b>	270	<b>2,345</b>	484
Gross Profits	<b>16,253</b>	42,629	<b>137,860</b>	71,412
Selling, general and administrative expenses	<b>7,321</b>	7,492	<b>62,101</b>	14,734
Operating income	<b>8,932</b>	35,136	<b>75,759</b>	56,678
Non-operating income :				
Interest and dividend income	<b>4,126</b>	1,661	<b>34,996</b>	3,081
Other non-operating income	<b>126</b>	89	<b>1,077</b>	261
Total non-operating income	<b>4,253</b>	1,751	<b>36,073</b>	3,343
Non-operating expenses :				
Interest expenses	<b>1,022</b>	900	<b>8,674</b>	1,739
Exchange loss	<b>155</b>	28	<b>1,316</b>	285
Other non-operating expenses	<b>25</b>	106	<b>218</b>	146
Total non-operating expenses	<b>1,203</b>	1,035	<b>10,209</b>	2,172
Ordinary income	<b>11,981</b>	35,853	<b>101,624</b>	57,849
Extraordinary profits :				
Gain on sales of fixed assets	<b>199</b>	459	<b>1,696</b>	1,398
Gain on sales of investments in securities	<b>3,923</b>	-	<b>33,275</b>	3,243
Other extraordinary profits	<b>20</b>	48	<b>171</b>	283
Total extraordinary profits	<b>4,143</b>	508	<b>35,141</b>	4,925
Extraordinary losses :				
Loss on sales of investments in securities	-	-	-	747
Transfer to reserve for possible loan losses	<b>92</b>	2	<b>780</b>	4
Other extraordinary losses	<b>3</b>	-	<b>26</b>	-
Total extraordinary losses	<b>95</b>	2	<b>806</b>	751
Income before income taxes	<b>16,029</b>	36,359	<b>135,959</b>	62,023
Income taxes	<b>6,211</b>	12,759	<b>52,680</b>	21,279
Income taxes, deferred	<b>(372)</b>	822	<b>(3,163)</b>	1,924
Net income	<b>10,191</b>	22,777	<b>86,441</b>	38,820
Unappropriated retained earnings brought forward		563		563
Loss on transaction in treasury stock		55		107
Interim dividends		-		5,335
Unappropriated retained earnings		¥ 23,285		¥ 33,940