

OCEAN BREEZE

News About The Wide World of "K" LINE

Contents

News Roundup.....P1-5	Bulletin Board.....P5
"K" LINE/WHL/PIL to Cooperate for New Service from China to Middle East	New Buildings
The EUROMAX Terminal Opens in Rotterdam	Special Feature.....P6
Port Dedicates Shoreside Power Project as "K" LINE Containership "Plugs in" at Pier G	The Other Face of Jakarta City
Agreement with Korea Western Power Co., Ltd. for Consecutive Voyage Charter for Bituminous Coal Transportation	Financial Highlights.....P7-8
CKYH to Rationalize Services in the Face of Growing Global Economic Uncertainty	Brief Summary of the Operating Results and Financial Position for the 2nd Quarters of Fiscal 2008
A Naming and Rope-Cutting Ceremony Takes Place for "SAT NUNKI" in September 2008	Having a Good Time.....P9-10
	The 44th All-Japan Kendo Matches of Shipping Lines
	Welcome Aboard.....P10
	CENTURY HIGHWAY No.3
	Photo Gallery.....P11
	The Silk Road — A Place with Love & Peace



“K” LINE /WHL/PIL to Cooperate for New Service from China to the Middle East

“K” LINE, Wan Hai Lines Ltd (WHL) and Pacific International Lines (Pte) Ltd (PIL) have agreed to merge their two existing services, viz. China Middle East service and China Straits Gulf service, and in lieu thereof to launch a new service from North China to the Middle East.

The new service will commence from early November with a weekly sailing deploying six Panamax size vessels of 4,250TEU capacity. “K” LINE will provide one vessel, WHL three vessels and PIL two vessels, respectively.

The new joint service will provide a comprehensive coverage in China while ensuring reliable and efficient connections from China to the Middle East with a transit time of 22 days from Qingdao to Jebel

Ali. The new joint service will also enhance the existing network of the three lines in the Asian region.

The Port Rotation:

Qingdao (Sun-Mon) - Lianyungang (Mon-Tue) –Shanghai (Wed-Wed) –Ningbo (Thu-Fri) – Hong Kong (Sat-Sat) – Shekou (Sun-Sun) – Singapore (Thu-Thu) – Port Kelang (Fri-Sat) – Jebel Ali (Sat-Sun) – Bandar Abbas (Mon-Tue) – Karachi (Thu-Fri) – Mundra (Fri-Sat) – Port Kelang (Fri-Sat) – Singapore (Sun-Mon) – Hong Kong (Thu-Fri) – Qingdao

“K” LINE Launches New Asia-East Coast South America Service

The Company is expected to launch a new service between Asia and East Coast South America in June 2009.

The weekly service will be operated with ten Panamax-size vessels, in partnership with Pacific International Lines (Pte) Ltd (“PIL”). Five vessels each will be deployed by “K” LINE and PIL.

The service will connect China and East Coast South America directly and will be supported by “K” LINE’s comprehensive service network in Asia-Pacific/Indian Ocean region.

The new service will cater for fast growing demand in the trade between Asia and East Coast South America, and offer a quality services to customers.

The EUROMAX Terminal Opens in Rotterdam

Contributed by Port Business Group

The opening ceremony of the EUROMAX Terminal took place on September 5, 2008 with some 1,500 people in attendance. The newly-opened terminal is located in the Port of Rotterdam in a joint venture between Europe Container Terminal (ECT) and the CKYH Alliance (COSCO Group, “K” LINE, Yang Ming Line and Hanjin Shipping).

The EUROMAX Terminal is situated at a port developing area named Maasvlakte-1 in the Port of Rotterdam, the largest port in Europe.

It proceeded to commence terminal operations with a quay length of 1,500 meters consisting of 4 berths and with a handling capacity of 2.3 million TEU per annum.

In the future, the terminal is to be further expanded as a gate port to Northern Europe for all the CKYH Group; according to the final design the quay is to be extended to 3,500 meters in length whereas the handling capacity is to reach as



many as 5.60 million TEU per annum. You can understand instantly how huge the terminal will be in comparison with the Port of Tokyo presently handling 3.70 million in total.

It is worthy of your attention that the EUROMAX Terminal has adopted the world’s most sophisticated system for

cargo operations.

Cargo-handling operations at the yard are carried out unmanned throughout the entire work process except for gantry cranes being operated by human drivers for loading/unloading containers: (a) AGVs (Automated Guided Vehicles) seen moving about within the yard that are able to run on the cables spread in the ground without any human help; (b) work for piling containers at the yard being carried out by non-driver-operated transfer cranes; and (c) delivery to outside trucks at the gate areas.

The above operations (a) through (c) are put under the centrally computerized administration at the control center. Seeing the yard from that center, it looks like a huge game center where containers and trailers are seen moving around unmanned under a remote control system.



In addition to the terminal being highly sophisticated, it should also be stressed that safety is entirely secured as no outside trucks can enter the yard and environmental friendliness is by far more increased by using cargo handling vehicles and equipment operable with hybrid energy sources.

Thanks to these multiple merits, we can all take pride that this container terminal will be a future model on a global basis.

Port Dedicates Shoreside Power Project as “K” LINE Containership “Plugs in” at Pier G

Launching a new “green” era in shipping at the Port of Long Beach, “K” LINE’s containership Long Beach Bridge on Tuesday, November 11, 2008, became the Port’s first ship to “plug in” to clean electrical power and shut down its diesel engines at berth for major air quality improvements.

A dockside commissioning ceremony Tuesday at the International Transportation Service, Inc. (ITS) terminal marked the completion of an \$8 million project that installed electrical power outlets for ships docking at Pier G. Plug-in shoreside power, also known as “cold-ironing,” allows ships to shut down their auxiliary engines while the ship is docked for a 100 percent reduction of air pollution at berth. Without shore-side electricity, vessels would use their own diesel-powered auxiliary engines to power refrigerated containers, pumps, lighting, air conditioning and computers while at dock.

“Shoreside power is a top environmental initiative under our Green Port Policy,” said Harbor Commission President James C. Hankla. “Because many ships burn unclean bunker fuel, shutting down their engines achieves major air quality improvements immediately.”

Ships account for about half of port-related air pollution, much of it from the vessels’ auxiliary engines. Shutting down a single ship’s diesel engines at berth for a day achieves the same air quality improvements as taking 33,000 cars off Southern California roads.

The new ITS shoreside power installation is part of a 15-

year, nearly \$800-million project to create thousands of additional jobs and a more efficient and environmentally friendly container terminal at Pier G. The first phases included the shoreside power installation and construction of a new deep-water berth (Berth G232) at the southwest end of the Pier G.

The project also includes a new electrical substation added by Southern California Edison to accommodate the increased demand for electricity at Pier G, since plugged-in ships each require as much as six megawatts of power (enough to power 4,000 homes). As part of its “green” lease with the Port for the ITS property, “K” LINE agreed to retrofit all five of its ships berthing at G232 to accommodate shoreside power.

“This is the Port of Long Beach’s first shoreside power berth – a model for what we will be doing at other terminals to improve air quality,” said Port Executive Director Richard D. Steinke. “Because of this, all of us and all of our Port neighbors can breathe cleaner air.”

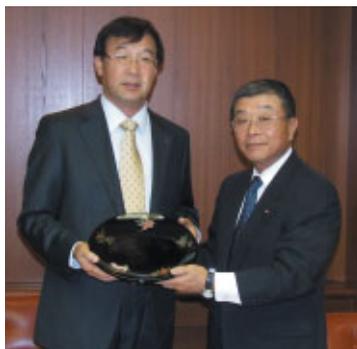
“ITS and “K” LINE are proud to partner with the Port of Long Beach in this important environmental project to reduce air pollution from shipping operations,” said ITS President Fumito Kawamata.

The project was designed by Port of Long Beach engineering staff and the firm of Moffatt and Nichol, and constructed by Manson Construction Co. of San Pedro.

Agreement with Korea Western Power Co., Ltd. for Consecutive Voyage Charter for Bituminous Coal Transportation

“K” LINE announced on November 13, 2008 that an agreement was reached with Korea Western Power Co., Ltd., (hereinafter called KOWEPO), a Seoul-based power generation company, for a 10-year consecutive voyage charter (CVC) of a Cape-size bulk-carrier.

KOWEPO is one of six South Korean electric power generation companies owned by Korean Electric Power Corporation (KEPCO), with current coal generation capacity of 4,000MW (mega watts) besides oil, LNG and hydropower generation, and imports approximately 12 million metric tonnes of bituminous coal per annum.



(from left to right: Mr. CHOI Won Soo, Executive Vice President of Korea Western Power Co., Ltd. and Mr. Hiroyuki Maekawa, President of “K” LINE

This agreement is the third CVC with KOWEPO with whom “K” LINE has already concluded a 10-year CVC starting from mid-2007 with a Panamax bulk-carrier in May 2007, and another 10-year CVC starting from second half 2011 with a Cape-size bulk-carrier in January 2008.

As the Capesize commencing in the second half 2011 enters the service, “K” LINE will be transporting approximately four million metric tonnes of bituminous coal per annum for KOWEPO’s power generation needs.

The Outline of the Charter Agreement:

- Agreement:** Consecutive voyage charter of a Cape-size bulk-carrier for 10 years commencing from the first quarter of 2009
- Services:** Seaborne transportation of bituminous coal for electric power generation from Australia, South Africa, Indonesia and Canada to South Korea
- Vessel:** A Cape-size bulk-carrier

CKYH to Rationalize Services in the Face of Growing Global Economic Uncertainty

CKYH (COSCON, “K” LINE, Yang Ming, Hanjin Shipping) Alliance announced November 13, 2008 its plans for the rationalization of its services in order to respond to growing uncertainty in the world’s economy.

CKYH has already suspended the AWE (All Water East Coast) Central Loop from early October 2008, and reduced the total capacity in the CKYH AWE trade by around 18.5%.

CKYH also suspended their EMX (East Med Express) service in the Asia-East Mediterranean trade from the middle of October 2008. CKYH is now conducting an extensive study to further restructure the Asia-East Mediterranean services, including the ADX (Aegean Sea Direct Express) service.

In addition, CKYH will be making service changes as follows:

Firstly, the current capacity deployed in the TAS-1 (North Trans Atlantic) service connecting the U.S. and Europe will be reduced by approximately 18%, effective from mid-November 2008. Existing calling ports and schedule will remain unchanged, but the size of the vessels deployed will be modified.

Secondly, the capacity in the PSW (Pacific South West) trade will be decreased. The current MAP (Mediterranean/Asia – America Pendulum) service connecting Mediterranean, Asia and the U.S. is to be terminated effective from early 2009. This is around 13~15% of the total capacity deployed in the PSW trade

by the CKYH Alliance. However, CKYH will utilize current services, such as SEA (South China Express) as substitution for MAP service.

Thirdly, the European service CNX will be suspended from end of January 2009, which is being operated with 8 Panamax vessels operated by Hanjin Shipping. With the CNX suspension in place, CKYH’s weekly capacity to North Europe will be reduced by around 9 %.

CKYH will continue being in a position to provide high quality services to its customers.

1. AWE (All Water East Coast) Central Loop

Suspended from early October 2008

Rotation: Xiamen – Yantian – Ningbo – Shanghai – Busan – Savannah – Norfolk – Charleston – Xiamen

Vessels deployed: 4,000TEU x 8

2. EMX (Greece-Israel Service)

Suspended from the middle of October 2008

Rotation: Shanghai – Ningbo – Hong Kong – Shekou – Singapore – Ashdod – Piraeus – Thessaloniki – Singapore – Hong Kong – Shanghai

Vessels deployed: 3,000TEU x 7

3. ADX (Aegean Sea Direct & Israel Express Service)

Restructuring under study

Rotation: Hong Kong – Singapore – Ashdod – Istanbul – Haydarpasa – Izmir – Singapore – Hong Kong

Vessels deployed: 2,000TEU x 7

4. TAS 1 (North Trans Atlantic Express Service)

Vessels to be replaced from the middle of November 2008

Rotation: Antwerp – Bremerhaven – Rotterdam – Le Havre – New York – Norfolk – Charleston – Antwerp

Vessels deployed: 3,000TEU x 4, to be replaced by 2,500TEU x 4.

5. MAP (Mediterranean-Asia-America Pendulum Service)

To be suspended in early 2009

Rotation: Port Kelang – Singapore – Hong Kong –

Yantian – Kaohsiung – Osaka – Tokyo – Long Beach – Oakland – Tokyo – Osaka – Busan – Shanghai – Ningbo – Kaohsiung – Hong Kong – Singapore – Port Said – Marsaxlokk – Napoli – La Spezia – Barcelona – Port Kelang – Singapore – Hong Kong – Yantian – Kaohsiung – Osaka – Tokyo

Vessels deployed: 5,500TEU x 13

6. CNX (China – North Europe Express Service)

To be suspended in January 2009

Rotation: Qingdao – Shanghai – Hong Kong – Singapore – Hamburg – Antwerp – Le Harve – Singapore – Qingdao

Vessels deployed: 4,000TEU x 8

Husky Terminal, Tacoma Marks 25th Anniversary with “K” LINE’s Call at the Terminal for 20 Years on

Contributed by International Transportation Service, Inc.

On September 15, 2008, Husky Terminal opened its terminal operations in Tacoma 25 years ago, with “K” LINE having been a continuous user of the terminal for the past 20 years. In celebration of the two events, a memorial ceremony took place at Hotel Murano, Tacoma on September 19, 2008.



The ceremony was attended by some 100 guests who enjoy a friendly relationship with the terminal as well as “K” LINE, the event having progressed very successfully in a pleasant atmosphere from beginning to end.

At this auspicious moment, a brief explanation is being given on Husky’s history.

ITS (International Transportation Service, Inc. a U.S.A.-based terminal company, a subsidiary of the “K” LINE Group) opened the 1st private terminal in the Port of Tacoma, Washington State on July 15, 1983. The first ship that came in after its opening was a Maersk vessel for which the terminal provided stevedoring services on June 2, 1985. Three years later, “K” LINE started to call at Tacoma on July 15, 1988.

Husky Terminal performed its services at Terminal 7 for more than 10 years. In June 2005, Husky shifted to Terminals 3 & 4 that



had a total of 74-acres of handling facilities, equivalent to a twofold space as compared with the previous 33 acres. This resulted in formation of a two-berth system, one berth being 1,505 feet and another 950 feet, respectively. Further development was achieved in April 2006, with the shorter berth lengthened to 1,250 feet and Husky’s workable space increased to 93 acres in total. A series of business/technical efforts for simultaneously handling Post Panamax Type containerships has been carried out in the friendly relationship between Husky and the Port of Tacoma.

Many of the containers unloaded on the U.S. West Coast are destined to interior regions by DST (Double Stack Train). As part of this shipment flow, Husky has been providing efficient services connected to railways using adjacent North Yard Terminal.

Back to the memorial ceremony, Husky’s President Fumito Kawamata gave opening speech expressing his sincerest gratitude to people in attendance for their cooperation and support for Husky having been able to continue with a quarter-century smooth development. He was followed by Executive Director of the Port of Tacoma Timothy Farrel, President of “K” LINE Hiroyuki Maekawa, President of Cooper/T. Smith Angus R Cooper II (joint investor of Husky Terminal), all of whom pledged to make the present business relationship more solid and profound for another 25 years to come.

In the meantime, a video was played at the hall compiling a 25-year history of Husky Terminal in which some guests made appearances in their younger days, and others who had played a key role for development of the terminal also showing up on the screen. The hall was filled with a sociable atmosphere like a alumni meeting.

A Naming and Rope-Cutting Ceremony Takes Place for “SAT NUNKI” in September 2008

Contributed by Panamax/Handy Bulker Team, Bulk Carrier Group

On a fine autumn day, September 5, 2008, a naming/rope cutting ceremony took place for “SAT NUNKI” at Imabari Dockyard, Head Office of Imabari Shipbuilding Co., Ltd. The origin of her name is: SAT deriving from Satsuma (a *clan), Kagoshima which the shipowner is from; NUNKI, one of the stars composing Sagittarius (Constellation) meaning the start of the sea in Sumerian language because when it rises in the sky, it is followed



in a row by A q u a r i u s (constellation) and Pisces (constellation), etc. all of which are related to the sea.

*clan: a territory and ruling organization governed by a Daimyo, lord owning wide land in Japan’s feudal age.

Among participants in the ceremony were ITOCHU Corporation, cargo owner during her maiden voyage; SATSUMA SHIPPING PTE LTD., ship owner; and Imabari Shipbuilding Co., etc. The ship was launched on the “slip way” at the dockyard, which recently, may have been less popular in Japan.

Before those people in attendance, ITOCHU President Imamura Yukio declared nobly that the new ship be named “SAT NUNKI.” Meanwhile, SATSUMA SHIPPING President Azuma’s daughter Yume-chan (zero year of age) lovely performed the rope-cutting ceremony.

After the ceremonial event had finished, “SAT NUNKI” started to smoothly slide down



the slip way into the silent and calm waters of Seto Inland Sea on a perfect autumn day.

Can you imagine that scene? Seeing a lump of iron as huge as a five-storied building going down into the sea, you would speak to yourselves unconsciously like a popular artist, “Oh, I have been so much moved that I really feel happy to be working for the shipping company.”

Here, for guidance, I’d like to tell you something about a launching ceremony. Many people are apt to misunderstand that it is time for a ship to embark on a voyage. But that is not correct.

As the time of launching, no more than her outside is completed. Thereafter, she is going to be outfitted as a ship and be ready for embarking on a voyage after a series of outfitting work has been finished ranging from installation of an engine to plumber work to construction of living quarters to alignment of every piece of equipment. In such manner, the completion day comes.

“SAT NUNKI” was chartered from her shipowner and is the best type of sophisticated bulk carrier managed and operated by Bulk Carrier Group to meet various customer demands for carriage of grains such as wheat and maize, etc., iron ore, steel products and other nonferrous products.

Seeing her grand launching ceremony, I swore that I will do my best for my work so that she will be a treasure ship serving across the Seven Seas. Her 1st assignment is to transport ITOCHU’s slugs from Japan to Malaysia.

Many thanks for your attention.



Bulletin Board

New Buildings

Name:	AEGEAN HIGHWAY
Type:	Bulk Carrier
Delivered:	Jan. 24, 2007
Built:	Kanda Shipbuilding Co., Ltd. Kawajiri Shipyard
LOA:	177.13m
Breadth:	28.40m
Draft:	10.02m
DWT:	32,285mt
Service Speed:	14.3knots



Name:	HENRY HUDSON BRIDGE
Type:	Containership
Delivered:	Oct. 14, 2008
Built:	IHI Marine United Inc.
LOA:	336.0m
Breadth:	45.80m
Draft:	14.035m
DWT:	99,214mt
Capacity:	8,212 TEU
Service Speed:	24.5kts



Name:	SAT NUNKI
Type:	Bulk Carrier
Delivered:	Oct. 17, 2008
Built:	Imabari Ship Building Co., Ltd
LOA:	169.37m
Breadth:	27.20m
Draft:	9.80m
DWT:	28,449mt
Service Speed:	14.0kts



The Other Face of Jakarta City

Contributed by Ms. Kartika Toendan – Research & Development Manager of PT. “K” Line Indonesia

It is very kind and cooperative of Ms. Katika Toendan to contribute a report with pictures for our current photo gallery. Her guide provides us with an instrumental opportunity to see how people and things are in the areas where we usually do not go. Seeing them, what do you feel about them?

On one day afternoon, I was on my ‘after office’ daily routines, driving my car back home along the hectic Jakarta streets. It was a heavy traffic jam with cars moving so slowly. It was quite a boring situation. Even though I was entertained by Michael Bubble’s beautiful voice from the radio, it still didn’t keep me from complaining over this bad traffic. Grumbling, I was trying to shift my mind from this traffic by looking outside



People try to make their living by selling merchandise near the railway and under the highway bridge.

I saw people living in the ‘houses’ by the dirty river (actually ‘hut’ is the correct word to describe).

Then I was thinking...Most of us might have pictured Jakarta, the capital city of Indonesia, as a modern and beautiful city. We are not wrong. Jakarta indeed has lots of first-grade skyscrapers, 5 star hotels and swankiest malls of a gargantuan size with traffic of luxury cars coming in and out. It’s what I call the beautiful face of Jakarta. I love Jakarta. Jakarta is the main gateway to Indonesia. It is the capital city and also the centre of economy of the country. It grows rapidly into a metropolitan city and happens to be the reflection of the economic, political and social development of the nation. Jakarta has an area of 661.52 square kilometers and a population of 8,489,910. As the capital, the largest and the biggest, also the most important city of Indonesia, Jakarta indeed has many faces. Like so many cities throughout the world, Jakarta struggles with problems of urban poverty, inadequate housing, high unemployment, poor transportation, inadequate provision of health care, lack of services, and decreasing environmental quality.

After that afternoon driving, I decided to explore ‘that other face of Jakarta’ and took some pictures along the slum areas

in Jakarta. In this article, I am sharing some pictures of Jakarta’s slum areas with you and telling you what poor people in Jakarta do for a living. This trip has reminded me that there are so many people who have to struggle hard for their living, even to get food to survive just for a single day. Made me realize... Driving in such traffic jam is not that bad after all...In these times many people have to think what to eat for today, I still can drive my car to get back to my home for nice dinner...



Slum area in South Jakarta area – The ‘huts’ by the dirty river. On the other side you have the privileged people living in brick wall houses while on the other side these people living by the dirty river in huts and shanties, some of it even made only out of Styrofoam.

over the window. Suddenly, some things caught my attention. Things that I never paid attention to before. On the right side, I saw some kids begging for money. A bit farther, I saw a man digging up garbage and looking for things he still could sell for living. As the car was moving along, I passed this dirty river where



Slum areas in the back of Jakarta’s tall buildings and by the railroad – In between towering super-structures, the poor people live in humble huts, who often have no access to basic sanitation, running water or waste management.



A man makes his living by digging up garbage, looking for things still usable and saleable. Dirty job but money for him and his family



Glamour side of Jakarta’s shopping mall as one of the tourist sites.

Top picture: Grand Hyatt at center of Jakarta
Below picture: Plaza Senayan at Senayan area, South Jakarta

Brief Summary of the Operating Results and Financial Position for the 2nd Quarter of Fiscal 2008

1. Consolidated Operating Results

During the 2nd Quarter of consolidated fiscal 2008 (July 1 through September 30, 2008), the global economy has faced turmoil in financial and stock markets triggered by the U.S. subprime lending issue, and the real economies have actually begun to slow down mainly in the U.S. and Europe. On the other hand, newly emerging countries and resource-producing countries, including Arab Gulf countries, have maintained substantially favorable conditions for their economies. In the U.S. economy, the housing market further declined and capital investment also decreased, reflecting a worsening of corporate earnings. In addition, consumer spending dropped due to the loss in the value of assets in addition to rising prices. Even in the European countries, exports and capital investment have been on a downward trend, and an economic slowdown has been observed that is affected by sluggish consumer spending. The Japanese economy made a generally sluggish progress hit by the peaking of exports to the U.S. and Europe and personal consumption leveled off as a result of the lower purchasing power due to rising consumer prices. The Asian countries, mainly led by China, India and Vietnam, maintained high levels of exports, capital investment and consumer spending and economies in the region continued to expand.

In the environment surrounding the shipping industry, while the dry bulk markets, which continued to remain at a high level, suddenly entered a phase of adjustment after the middle of August, adverse factors that are putting pressure on earnings including slowing cargo movements to the U.S. and soaring fuel oil prices have become increasingly conspicuous in the containership business. Under these circumstances, the "K" LINE Group has made every effort to secure long-term contracts for marine transportation and to reduce costs, including fuel and bunker oil costs, while striving to systematically expand the scale of business and to enhance business structures in accordance with the policies under "K" LINE Vision 100 published in April this year. As a result, consolidated operating revenues for the 2nd Quarter of fiscal 2008 accounted for ¥386.021 billion, an increase by ¥48.552 billion compared with the same period of the preceding year. Consolidated operating income was ¥42.582 billion, an increase by ¥13.335 billion compared with the same period last year, and ordinary income was ¥41.806 billion, an increase by ¥14.143 billion compared with the same period last year. Consolidated net income for the 2nd Quarter of fiscal 2008 was ¥29.624 billion, an increase by ¥11.384 billion on a year-on-year basis. The Company's cumulative consolidated operating revenues from April 1 to September 30, 2008* were ¥735.511 billion. Cumulative consolidated operating income and ordinary income for the same period were ¥74.729 billion and ¥75.136 billion respectively. Cumulative consolidated net income for the same period stood at ¥51.156. Consolidated operating revenues, operating income, ordinary income and net income for the 2nd Quarter and those accumulated for the 2nd Quarter each hit an all-time high compared with the figure for any quarter or any cumulative quarterly

period (6 months) in the past.

*Note: As for Qualitative Information about the Consolidated Operating Results for the 1st Quarter of the fiscal year ending March 2009, please refer to the Brief report of the three months ended June 30, 2008 disclosed on July 25, 2008.

(1) Marine Transportation

<Containership Business>

In the North American trade, cargo movements to North America shipped from Asia decreased due to sluggish U.S. economy and the number of loaded containers fell by about 10% compared with the same period last year. On the other hand, exports bound for Asian countries shipped from North America have continued to increase and cargo movements rose significantly by 41% compared with the same period last year. Cargo movements in the European service routes have continued to steadily grow and the number of loaded containers increased by 11% compared with the same period last year, assisted partly by the effect of enhanced services with the launching of large-sized containerships. In the North/South service routes, including Asia/South America West Coast services and Asia/South America East Coast services where transportation capacity was reinforced with the commencement of new services, cargo movements sharply increased by 19% compared with the same period last year. As a result, the Company's total number of loaded containers climbed by 5% from the same period of the previous year.

Except for the European service routes, where freight rates dropped due to concerns over softening demand for transportation capacity, the average freight rates for the 2nd Quarter of fiscal 2008 exceeded those for the same period last year on the whole. However, the higher freight rates were unable to absorb increased operating costs due to the record high fuel and bunker oil prices, consequently, operating revenues increased but profits declined for a year-on-year basis.

<Bulk Carrier and Car Carrier Business>

In the dry bulk transportation, the relationship of supply and demand in cargo capacity softened due to a decrease in demand for steel raw materials owing to the shutdown of steel production during the period of the Beijing Olympics in China, the slowing down in demand for transport capacity resulting from the tightening of the supply of iron ore to China by major Brazilian shippers, and concerns over the threat of a worldwide economic slowdown triggered by the U.S. financial turmoil. The Baltic Dry Index sharply declined since the middle of August onward, hit by the factors mentioned above, whereas the Company strived to promote efficient ship operations, in addition to expanding the scale of its business with the completion of newly-built vessels. As a result, the dry bulk carrier business increased both in terms of its operating revenues and profits for a year-on-year basis.

With respect to the car carrier business, the number of cars transported to the U.S. decreased, affected by slowing down of car sales due to the sluggish U.S. economy and hikes in gasoline prices. However, the total number of cars transported by the Company increased by 6% compared with the same period of the preceding year, assisted by strong demand from newly-emerging countries and resource-producing countries. Two newly-built car carriers completed in the 2nd Quarter also contributed to the increase in car transportation.

Under such favorable business environment, the Company further promoted efficient ship operations. As a result, operating results for the overall bulk carrier and car carrier business for the 2nd Quarter of fiscal 2008 increased both in terms of operating revenues and profits for a year-on-year basis.

<Energy Transportation and Tanker Business>

As for LNG transportation, the fleet of LNG tankers that the

Company owns or is involved with increased to a total of 41 with the completion of three newly-built large-sized carriers during the 2nd Quarter. In addition, the single LNG tanker chartered for short-term trade operated smoothly. As a result, the LNG carrier business secured trade profits.

As for tanker business, operating results substantially exceeded those for the same period last year due to the recovery of freight rates for petroleum product tankers.

Overall, the energy transportation and tanker business increased both in terms of operating revenues and profits for a year-on-year basis.

<Heavy Lift Shipping Business>

In the heavy lift shipping business, despite surging fuel and bulker oil prices, the fleet of heavy lifters consisting of 17 vessels, including one newly-built heavy lifter delivered in the 1st Quarter, operated smoothly, and the business of this segment secured earnings as expected, assisted by a growing demand for the construction of infrastructures, including power stations, and the demand for construction of oil refining facilities.

<Coastal Shipping Business>

In the coastal shipping business, limestone carriers maintained strong vessel operations by securing stable volumes of materials for transportation. In the regular roll-on roll-off service, transportation volumes increased due to the synergistic effects of the services of both the Tomakomai/Tokyo route and the Tomakomai/Hitachinaka route. In the Hitachi/Kitakyushu service route, the Company was actively involved in activities to acquire new cargoes including transit cargoes between Hokkaido. In addition, the Hachinohe/Tomakomai ferry services increased the transportation volume for trucks loaded with cargo for domestic delivery and agricultural and fisheries products. The overall operating results for the coastal shipping business exceeded those in the same period last year.

As a result, the overall operating revenues for the marine transportation segment amounted to ¥348.697 billion, and operating income stood at ¥38.192 billion.

(2) Logistics/Harbor Transportation

In the comprehensive logistics business, transportation volumes in the air cargo forwarding business declined mainly in the Pacific Ocean lines due to the spreading adverse effects of the U.S. economic slowdown. At the same time, in other harbor transportation businesses, cargo volumes for forwarding, transport by land and storage declined. Both operating revenues and operating income for these business areas decreased for a year-on-year basis.

As a result, the overall operating revenues for this segment were ¥30.148 billion, and operating income stood at ¥3.477 billion.

(3) Other Businesses

As for other businesses not mentioned above, the overall operating revenues amounted to ¥7.175 billion, and operating income was recorded at ¥0.901 billion.

2. Consolidated Financial Status

As of the end of the 2nd Quarter of fiscal 2008, total assets increased by ¥111.792 billion from the end of the preceding fiscal year to ¥1,080.422 billion, due mainly to an increase in accounts receivable-trade with expansion of the scale of business and an increase in vessels and construction in progress resulting from the Company's active promotion of upgrading of its fleet of vessels. Total liabilities increased by ¥72.333 billion against the end of the previous year to

¥664.686 billion, owing to increases in accounts payable-trade following expansion of the scale of business and long-term debt resulting from investment in vessels.

Net assets increased by ¥39.459 billion from the end of the preceding year to ¥415.736 billion, due primarily to an increase in retained earnings.

3. Consolidated Prospects for Fiscal 2008

With respect to the second half of fiscal 2008, it is considered that the overall freight market will remain in an adjustment phase due to the economic slowdown in the U.S. and Europe. In the containership business, there is fear that transportation volumes bound to North America and Europe will become stagnant. The Asia/European services and the Asia/South America services that have been enhanced by additional services and the westbound North American trade (exports from North America) are enjoying brisk cargo traffic, thus the number of containers loaded will continue to increase compared with the same period of the preceding year. However, the overall performance of the containership business will face a severe situation due to a decrease in cargo movements in the eastbound North American services, the worsening of the freight rates in the European service routes and the increased costs of transportation owing to highly fluctuating fuel oil prices. As for dry bulk carrier and car carrier business, the dry bulk carrier business will continue to attain constant growth in demand for the transportation of iron ore bound for China, whereas any recovery in the freight rates will be moderate. Concerning the car carrier business, cargo movements to North America are expected to falter, whereas those to newly-emerging countries and resource-producing countries will be strong. The trend in overall cargo movements in the car carrier business is expected to grow steadily. In the energy transportation and tanker business, there is concern over the slowdown in global petroleum demand. However, compared to before, demand for longer distance transportation is showing signs of growth, such as for the exportation of high quality Far Eastern oil products to Europe due to environmental regulations, and tanker freight rates for petroleum products will continue to rise.

The business environment surrounding the shipping industry is difficult to forecast, as mentioned above, in addition to aspects of the supply-demand relationship, foreign exchange rates and trends in interest rates. The Company will strive to further promote efficient ship operations and cost reductions.

In addition, with respect to the foreign exchange rate and fuel oil price for the 3rd Quarter onward, the Company assumes ¥100 per US\$ for the foreign exchange rate and US\$500 per MT for fuel oil price. The Company expects the consolidated operating results for fiscal 2008 to be ¥1,380 billion for operating revenues, ¥108 billion for operating income, ¥105 billion for ordinary income and ¥71 billion for net income, based on assumptions and the situation described above.

Adverse effects on real economy from the financial crises triggered by the U.S. have spread to the international shipping industry, which has been worsening in the business environment for the 2nd half including cargo movements and market freight rates. Under these situations, the Company has revised forecasts for operating results for the fiscal year ending March 2009, in which revised performances are slightly lower than those initially projected. Consequently, the Company intends to pay ¥13.5 per share for the interim dividend as originally forecasted and ¥11.5 per share for the year-end dividend (full-term dividend: ¥25 per share; dividend payout ratio: 22%).

The 44th All-Japan *Kendo Matches of Shipping Lines

Congratulations! "K" LINE Wins Championship in Team Matches for the 6th time after an interval of 6 years, and Semi-Championship in Individual Matches. We have gained two victories in our hands.



*Kendo, meaning "Way of the Sword," is a modern Japanese martial art of sword-fighting based on traditional Japanese swordsmanship, or Kenjutsu.

Kendo is a physically and mentally challenging activity that combines strong martial arts values with sport-like physical elements. (Sourced: Wikipedia on the Internet)

The match for championship was ended with a judge's command "Stop." The moment the two flags were seen highly raised showing he had won, he felt rather a relief than a pleasure in victory. He could feel really he had won when forming into a line after the match had been over. His forehead was wet not only with sweat but with something else emotionally warm. It is said that men decline when they are pleased with their real situations and give up further growth.

Although we all know it very well, let's be basking in the afterglow of winning for a moment.

The autumn season for a change of clothes was passing by while we were beginning to feel a colder morning air spreading all over as winter came gradually closer. It also was time when All-Japan Kendo Matches came to select the strongest kendo player in the Japanese shipping circles.

We said to ourselves, "As a strong newcomer has joined us this year, we will surely be able to have better results than last year: 3rd rank in team matches and championship in individual matches. Anyhow, we can play better this year, can we not? Yes, we can for

sure! Naturally, we will win a victory in both matches." Believing a victory will fall on us, we had dedicated ourselves to everyday exercise.

When we had only two weeks left, a series of unfavorable events struck us: personnel movement, business trip and back to sea trial. It meant that a majority of main members would not be able to play at any matches.

Each and every one of us was attacked with a deep mental shock, muttering desparately, "Someone else than me must have behaved badly," or "we should have joined the exercise more frequently if we had been able to foresee that we would come across such a difficulty" and "We have only two weeks more, haven't we?"

However, we are very thankful to our seniors for having encouraged the younger members in every possible way. After all, we could participate in the above matches with two teams as the above unprecedented crisis helped unite ourselves more firmly.

The system of tournament is that the top two teams advance to a championship game through a series of preliminary league matches. NYK A Team, the

most prestigious team, succeeded in proceeding to the finals. The other teams including "K" LINE were struggling through hard competitions in pursuit of a single remaining seat. It was very surprising that the opponent of "K" LINE A team who was advancing steadily to the finals with one more win turned out to be "K" LINE B team. With a trick of fortune or something alike, "K" LINE A had to fight its colleague B team.

However, at that time, it was already decided that B team was to pull back from the finals. For this reason, every participant except "K" LINE B must have prospected that reasonably, A team would win.

What an astonishment it was that A team lost to B team who also were as honest and sincere as A team in their efforts to play kendo!

After all, however, "K" LINE A team barely could go up to the finals by a few points.

Naturally enough, there was an uneasy atmosphere between both teams all the time during lunch time.

The finals, at last! "K" LINE A team fought NYK A, will vs. will and power

vs. power (despite little power remained on either side). The match developed into a mind-to-mind showdown beyond the limit of physical strengths. The 44th All-Japan Kendo Matches ended with “K” LINE A winning the game and getting the championship for the 6th time. We were deeply impressed that all our efforts had been rewarded remembering that another hard weekly exercise came immediately after muscular pains had gone taking 5 days.

While being delightfully drunk with the victory in team matches, the individual matches started.

Among excellent players selected from teams, “K” LINE Nakajima, winner of last year overwhelmed other rivals with his excellent skills of kendo deserving a master of kendo and advanced to the finals. In the meantime, MO Shibata, runner-up of last year who

intended strongly to revenge last year’s defeat also could proceed to the finals. The final match of fate came up with the same card as last year.

Regrettably enough, our Nakajima lost to the opponent. His training of 300 swings every night (kind of image training) could not be enough or for some other reason.

The opponent could skillfully take a very limited chance to give him a facer.

What a great thing it was for us to finish this All-Japan Kendo Matches of Shipping Lines with brilliant achievements of acquisition of the championship in team matches and semi-championship in individual matches despite falling short of some main member players!

However, we realize that every team is no more than marginally different in ability and that not being pleased with

the present results, “K” LINE Kendo Club should keep on doing the weekly exercise from now on with the aim of an entire victory in the Matches.

Attention to all our colleagues! Come on and join us right now. It is high time for you to put on the kendo uniforms taking them out of the closets where they have been lying down inside as kind of “fertilizer.”



Welcome Aboard

CENTURY HIGHWAY NO. 3

Contributed by Capt. Bozhidar M. Valkanov, master of “CENTURY HIGHWAY No. 3”



I think lot of you – the seafarers know us like a “splendid four” – because we are four non-substitute brothers. Why we have a same names – I will tell you the story. Everybody is well aware that “Century” is a period of hundred years. At the beginning of our life we are spellbound all together to reach 100 years. I was delivered on 29 March 1986 – about 22 years old, but look younger. This is only because of the all crew Endeavour – 2 Bulgarian and 19 Filipino –

‘NEWFIL.’ I think we can skip the 100-s.

All of us are on USWC/USEC Service. All of us united pursuing our uniform goal – “Zero” damage and I can praise with the high achieved results – for the last six months 3 three voyage to the USEC and all three consequence tomes with “Zero” damage!

Taking in mind that the car carrier business is expecting to keep on enjoying brisk cargo movement, our target is to achieve the “K” LINE Vision 2008 new management Plan – stable profitability and sustainable growth.

In the end, I with my crew and my ‘brothers’ like to appeal to “K” LINE to trust us in this global business – we will do our best.

Photo Gallery

The Silk Road — A Place with Love & Peace

Contributed by Ms. Margaret Au, "K" Line (Hong Kong) Ltd.

Someone says that experiencing Kitarō live is like listening to mother-nature translated into music. However, I did not have this experience to see the musician live.

Instead, I have bought his CD that includes Silk Road Fantasy [Silk Road Genso], one of the soundtracks from the 1980s Japanese television series "Silk Road." What I enjoyed is his music like the sound of waves; like a breeze blowing over the sandy shore. It is with his music that I was tempted to have my vacation on the journey of the Silk Road.

Xinjiang is a large province in northwest China, which borders on Russia, Mongolia and Kazakhstan. The Chinese character of Xinjiang represents two basins, Jungairan Basin and Tarim Basin that are surrounded by mountains on three sides. They are Altai Mountains, Tian Shan (Heavenly Mountains) and Pamir & Karakoram Ranges of the Himalayas.

My pictures were taken in the northern part of Xinjiang in June this year. Northern Xinjiang is a beautiful and romantic blend of lakes, grasslands, canyons and exotic landscapes. Its attractions are its native people and scenery. They love dancing, singing and playing their own unique musical instruments. It was not a leisure tour because a lot of the sights were uninhibited and lack of basic necessities like water and electricity. I questioned myself why I had come here for my holiday. However, whenever I see this land again through the pictures, I know that the memories of Xinjiang will stay with me.....



Altai Mountains



Like a Ruined Castle



Shaped by Wind Erosion



Camel Troop



Carpeted with Wild Flowers



Rolling Hills Dotted with Kazakh Camps



Herd of Goats and Sheep



Kazakh



Kanas Lake

Ocean Breeze

Published by IR & PR Group (IPRG) Kawasaki Kisen Kaisha, Ltd. ("K" LINE)
Address: 2-9, Nishi-Shinbashi 1-chome, Minato-ku, Tokyo 105-8421, Japan
Telephone: 81-3-3595-5063 Telefax: 81-3-3595-5001
E-mail Address: kljtyoiprg@jp.kline.com Home page: <http://www.kline.co.jp>
Ocean Breeze is printed in Japan on recycled paper