

During Fiscal 2001, the Company's operating revenues on a consolidated basis increased by ¥13.145 billion to ¥571.014 billion (U.S.\$ 4285.3 million), a 2.4 % increase as compared with last year. Consolidated net income amounted to ¥4.768 billion (U.S.\$ 35.8 million), up by 144.8 % compared with last year. The annualized dividend per share decreased by ¥2 to ¥3 per share. Return on Equity (ROE) reached 6.5% while Return on Assets (ROA) stood at 2.3 %. After having scrutinized business and financial activities, we, management and employees at the entire "K" LINE Group, are firmly committed to accomplishment plan named "KV-Plan" covering Fiscal 2002 through Fiscal 2004.

The global economy in general is summarized as follows:

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

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

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

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

Under the above general circumstances, Kawasaki Kisen Kaisha, Ltd. (referred to hereunder as "K" LINE or the Company) together with its group companies, made endeavors for business promotion consistent

with the 5-year management plan known as New "K" LINE Spirit for 21 (New K-21) which started in April 1998. Details will follow with regard to New K-21 being completed one-year earlier than scheduled, and our move to a new 3-year management plan named "KV-Plan" starting from April 2002, an example of our commitment to tackling new and imminent tasks with speed and effectiveness.

Outline of Business Activities

Marine Transportation

Generally, the marine transportation market continued to be low-key due to the worldwide downturn in almost all global economies, with demand for marine transportation automatically on the decline. In particular, containership business saw the hardest slump or depression due to drop in cargo tonnage almost simultaneous with the increasing supply of vessel space; a wider imbalance between supply and demand.

In the meantime, efforts for an overall upgrade in our fleet solidly proceeded on schedule. We are convinced that the upgraded fleet will support various business activities, contributing to the reinforcement

of a large part of “K” LINE’s physical structure.

Everybody at “K” LINE recognizes that to prevail in the harder shipping circumstances for some time to come is a key for development of the Company and its entire group.

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

Operating revenues ¥481.200 billion, 5.7% increase over the previous year,

Operating income ¥13.149 billion, 56.1% decrease below the previous year.

Services Incidental to Transportation

As the main subsidiaries in Japan shortened their fiscal year ending December 2001, consolidated operating revenues amounted to ¥75.758 billion, 15.4% decrease below the previous year while operating income resulted in ¥4.536 billion, 7.1% decrease below the previous year.

Others

Land transportation business and other business not mentioned in the above reached ¥14.056 billion, 8.5% increase over previous year in consolidated operating revenues and ¥1.275 billion, 17.5% increase over previous year in operating income.

Financial Results

For Fiscal 2001, the Company posted consolidated operating revenues of ¥571.014 billion, 2.4% increase as compared with ¥557.869 billion last fiscal year.

Consolidated operating income decreased by ¥16.960 billion to ¥19.049 billion, 47.1% decrease as compared with ¥36.009 billion last fiscal year, and net income



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amounted to ¥4.768 billion, 144.8% up over ¥1.948 billion last fiscal year.

Cash flows are summarized as follows:

Cash flow from operating activities resulted in plus ¥33.060 billion from net income as of March 31, 2002 prior to adjustment of taxes, etc. and depreciation/amortization.

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

Cash flow from financing activities resulted in minus ¥16.120 billion from repayment of loans and obligations under finance leases.

As a result, cash and cash equivalent during the fiscal year under review increased by ¥0.214 billion to

¥20.681 billion on a consolidation basis.

In terms of payment of an annualized dividend to shareholders, it has been proposed that it be decreased ¥2 to ¥3 per share.

Outlook for Next Fiscal Year ending March 31, 2003

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

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

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

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

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

Review of New K-21 and Start of A New Management Plan from April 1, 2002.

“K” LINE, together with its group companies, has been successfully advancing New “K” LINE Spirit for 21 (New K-21), the five-year management plan that started in April 1998.

In view of a great many worsening changes in the global economy, we opted to terminate New K-21 at the end of March 2002, one year early. We proceeded to start a new management plan, named KV-Plan, in order to speedily and effectively grapple with various imminent assignments in anticipation of what was required for our future course.

Review of New K-21

Operating revenues could roughly arrive at the target whereas ordinary income fell far short of target.

Emphatically, however, significant improvement was made in the financial structure. You can see that the Balance Sheet became greatly contracted, healthier and stronger through a 7% reduction in total assets and 17% contraction in liabilities bearing interest.

We could accomplish policy-related or qualitative goals more successfully than expected.

In globalization of management, our basic concept is “decentralization of authority/power.” As we did in the past with regard to “K” Line America, Inc. and “K” Line (Europe) Ltd., we could launch “K” Line Pte Ltd (KLPL) in June 2001 as a future second shipping company based in Singapore. Already, a good deal of work of the Head Office in Tokyo has been transferred to KLPL in business sectors in addition to containership business.

In line with importance of consolidated management’s policy regarding business components, “K”

Line Logistics Holdings, Inc. was founded in autumn 2000, the holding company related to logistics for the purpose of mapping out a logistics strategy for the “K” LINE Group. In ship management and administration field, Taiyo Nippon Kisen Co., Ltd. was created through merger of two subsidiaries in July 2000. Furthermore, “K” Line Accounting and Finance Co., Ltd. (KAF) was founded in November 2001 to be charged with consolidated management of all Group accounting systems and further outsourcing of “K” LINE’s own accounting activities.

Like other industrial sectors, shipping and logistics business also depends on IT (information technology) for its best performance. From this perspective, we have restructured our core operating system to cover growing container business on a global basis. We also set up “K” Line Systems, Ltd. for more efficient development of application software in Japan.

Regarding environmental conservation and preservation, “K” LINE Group’s Environmental Policy took effect from May 2001, and we are most thankful to have been awarded ISO 14001 Certification in February 2002. We will continue to vigorously uphold every international treaty and domestic laws/rules to give fullest respect to the rule of law.

New Management Plan (KV-Plan)

We wish to ensure stability in payment of dividends, solidly shielding management’s environment from any unfavorable influence from exterior factors.

Building a global total logistics company centering on shipping is a major target in our future vision.

To realize our goals, we launched a new 3-Year Management Plan effective from April 1, 2002. The fundamental strategy that the management plan is to

be promoted along can be described as follows:

First, we will endeavor to strengthen the Company’s basic structure through cost savings, best use of IT and improvement in our financial state. Secondly, we will seek synergy effects that are expected to be created among different business sectors in collaborative management of overseas bases and respective business activities. In addition, we will continue to promote further globalization. Thirdly, challenge to total logistics business is a commitment the Company will try its best to realize. Fourthly, at all times, we will continue making dedicated efforts for technical innovations in search of high-quality and safe/assured transportation service. Lastly, we will encourage further transformation of management with greater transparency and with reinforced corporate governance.

An explanation about the new management plan can be found in Strategic Focus on page 13-16.

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