

Dear Shareholders

We are pleased to report that during Fiscal 2002, the Company's operating revenues on a consolidated basis increased to ¥632.725 billion (U.S.\$5,263.9 million), up by 10.8% compared with last year. Return on Equity (ROE) reached 13.0% while Return on Assets (ROA) stood at 4.5%. The annualized dividend per share increased by ¥2.00 to ¥5.00 per share.

We have been making concerted efforts for increasing competitiveness and expanding business scale, mainly through "Cost Slash-300," a cost-reduction campaign on the basis of the "KV-Plan."

Total operating revenues for marine transportation amounted to ¥530.228 billion, 10.2% increase over the previous year, with operating income of ¥22.384 billion reflecting a 70.2% increase over the previous year. This achievement is attributed not only to timely input of larger containerships, efficient ship operations and the cost reduction campaign, but also to efforts for expansion in business scale and curtailment in operational costs by sectors other than containership business.

Operating revenues for services incidental to transportation reached ¥88.774 billion for a 17.2% increase over the previous year, while operating income amounted to ¥4.801 billion, 5.8% increase over the previous year. These achievements result from the increase in operating revenues centering on our airfreight forwarding company and harbor transport companies in Japan.

Total operating revenues for sectors other than the two mentioned above amounted to ¥13.723 billion, 2.4% decrease under the previous year whereas operating income resulted in ¥2.087 billion, 63.7% increase over the previous fiscal year.

Under the direction of our "KV-Plan," all of us at "K" LINE and its group companies have been tackling the "Cost Slash-300" campaign in pursuit of building an overall system of marine transport in flexible response to changes in global logistics and strengthening the Company's structure. During the 3-year period of the plan, we are committed to construction of a profit structure that will assure stable payment of dividends without being influenced by changes in business circumstances.

In Fiscal 2002, we have realized all numerical targets of the "KV-Plan" in the first year. We have stood in the vicinity of the 2nd year targets. From now on, we will make maximum all-group endeavors to achieve every target of the Plan as early and responsibly as possible.

The shipping industry has experienced some serious ship incidents

including tankers/car carriers, causing a great deal of damage to the environment with oil spills, etc. during Fiscal 2002. This has impressed us more strongly than ever that we can never be too careful, knowing that marine transportation can never be totally risk-free. We are exercising utmost efforts to raise preparedness and responsiveness of management and all staff in accordance with "K" LINE's crisis management.

The 21st century is said to be a century for preservation of the environment. Responsibilities for preservation of our environment are being more deeply recognized by all people. Like other industries, we are also strongly required to bring the best answer to society in terms of a sustainable maritime transport system. The system should make the best use of natural resources, make us preserve the environment and make us defend human health. As a global shipping and logistics company, "K" LINE and its entire group are committed to grappling with this vital issue on the basis of establishment of the "K" LINE Group's Environmental Policy.

At the same time, we are endeavoring to strengthen corporate governance with globalized management

*“K” LINE is committed to safer,
more eco-friendly and
more dependable
transportation of merchandise
for the well-being of all humanity.*



(left) Isao Shintani
Chairman
(right) Yasuhide Sakinaga
President

concept in mind. More substantially, we have started to establish Compliance Office linked directly to management, a compliance committee and in-house information system. By this token, we have arranged to cope with any emergency compliance risk.

We are forecasting for Fiscal 2003 that on a consolidated and yearly basis, operating revenues will be ¥675 billion, operating income ¥43 billion and net income ¥16.5 billion. These are pre-conditioned on a yearly-averaged exchange rate of ¥120 per U.S. Dollar, bunker-oil price U.S.\$160 per ton. Regarding

dividend for Fiscal 2003, interim dividend will be ¥3 per share and ¥6 per share on a yearly basis.

We will diligently continue carrying out our management plan with the following points in mind:

1. The present container movement will stay stable while balance between supply and demand of ship space is being better balanced. The improvement will help restore freight rates.
2. Efforts for building a more cost-competitive fleet with more efficient operations are being promoted with steadiness and consistency.
3. The “Cost Slash-300” campaign is

expected to greatly assist our efforts to successfully construct the most cost-efficient business structure possible.

We would express our gratitude for your cooperation and support once again, hoping that Fiscal 2003 will be a good and prosperous year for all our associates.

June 2003

Isao Shintani, *Chairman*

Yasuhide Sakinaga, *President*